SaskPower

Priorities

SaskPower's Vision

Excelling in competitive energy markets.

SaskPower's Mission

We provide value-added electrical energy and related services.
We achieve this through employee innovation, a competitive spirit
and pursuing opportunity for our customers and shareholders.

Priorities

For 70 years, SaskPower employees have identified and met the priorities of the day.
A new millennium brings new priorities to best serve the people of Saskatchewan.

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priority #1

safety

Gladue Ranch, Meadow Lake: Matthew and Megan Gladue, students of Kahpowakenum School, were featured in our Come Home Safe Tonight campaign in 1999.

Minister's Letter

Regina
March 2000

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Power Corporation for the year ended December 31, 1999. This report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with The Power Corporation Act.

I have the honour to be, Madam, your obedient servant,

John Nilson, Q.C.
Minister Responsible
Crown Investments Corporation of Saskatchewan

Operating Profile 1999

Customers

(Meters in service on December 31, 1999)

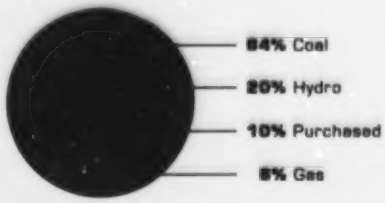
	Number of Customers	% of Total Customers	% of Total kW.h
Residential	297,072	69.4	15.0
Farm	68,096	15.9	8.4
Commercial/Industrial	61,924	14.5	68.4
Streetlights	930	0.2	0.4
Reseller & Export	5	0.0	7.8
Total	428,027	100.0	100.0

Transmission and Distribution

230 kV	– circuit kilometres	3,684
138 kV	– circuit kilometres	4,323
115 kV	– circuit kilometres	400
110 kV	– circuit kilometres	190
72 kV	– circuit kilometres	4,382
72 kV	– underground kilometres	7
25 kV	– pole kilometres	22,444
25 kV	– underground kilometres	648
14.4 kV	– pole kilometres	72,459
14.4 kV	– underground kilometres	42,770

SaskPower's service area is 526,600 square kilometres

Generation by Fuel Type



Five-Year Operating Summary

	1999	1998	1997	1996	1995
Sales (GW.h)	**16,225**	16,187	15,608	15,064	14,383
% growth over prior year	**0.2**	3.7	3.6	4.7	4.1
Average annual usage per residential customer (kW.h)	**7,793**	7,662	8,520	8,802	8,447
Average urban monthly residential bill – before taxes ($)	**59**	59	61	62	56
Seasonal gross system peak load (MW)	**2,853**	2,944	2,944	2,789	2,744
Total customers served at year-end	**428,027**	426,676	423,678	420,147	417,923
Power lines (pole km)	**150,858**	150,001	149,421	148,590	148,056

Serving more than 428,000 customers

Year in Review

As we enter the millennium, the utility sector is wired into our growing global economy and electricity is fueling new enterprises and emerging technologies. At SaskPower, we're moving into this new-age marketplace with a strong sense of our business direction and priorities.

We've built SaskPower around our core business – delivering safe, reliable, cost-effective power to the people of Saskatchewan. It's a mandate that's 70 years strong, originating with our predecessor, the Saskatchewan Power Commission, in 1929 and reflected in our governing legislation, the Power Corporation Act (1950).

John Wright
President & CEO

Our mandate has empowered generations of hardworking SaskPower employees to identify the priorities of the day and get the job done, from rural electrification to construction of a world-class power grid. Today, we use steam, hydro and gas turbine technology to generate a net capacity of 2,889 MW at our 14 power stations, and we move that power across 526,600 square kilometres of varied terrain. We built the most extensive network of power lines in Western Canada to reach Saskatchewan's small, widely dispersed population. SaskPower serves only about three customers per circuit kilometre, while other utilities typically serve four times that many over the same distance.

SaskPower's connection to communities large and small is a vital link in Saskatchewan's quality of life. With a workforce of more than 2,100, we're one of the largest employers in Saskatchewan. We generated $977 million in revenue in 1999, an increase of $19 million over 1998. SaskPower is the steward of $3.2 billion in assets – almost half of the province's Crown sector assets. In 1999, we spent more than $500 million in salaries, grants in lieu of taxes to municipalities, corporate tax and royalties, and the purchase of goods, services and fuel. We also support hundreds of community initiatives annually through our corporate contributions program.

We've worked diligently to identify business priorities that build on our proud tradition of service to Saskatchewan residents and break some new ground, as well. Our priorities in 1999 included safety, reliable supply, service excellence, community, innovation and environmental commitment. In the pages that follow, you'll read about our progress in delivering on those priorities, including a very successful Year 2000 transition.

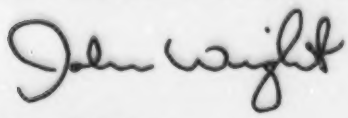
Safety is our #1 priority – for employees, contractors, suppliers and customers. A corporate-wide safety launch, set for January 2000, will renew our commitment and revitalize our approach to this issue that is so fundamental to our industry. Under the leadership of our safety champion and the rest of the SaskPower executive, employees are using the results of a recent independent audit to develop action plans that will strengthen our performance in this critical area and help us build public awareness about electrical safety.

J. Milton Fair
Chair, Board of Directors

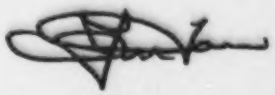
We're challenging ourselves in every area of operations to strengthen our position as a customer-focused business in a changing marketplace. Our business units, support groups and subsidiaries are focused on continuous improvement. We're developing action plans to meet customer needs, improving core business processes and introducing best practices across the organization. Those best practices support a new corporate-wide focus on performance measurement, and we've put a balanced scorecard in place to track our progress in achieving our strategic business objectives. We continue to take a hands-on approach to minimize the impact of our operations on the environment, whether we're partnering with industry to support regulatory commitments and youth education, training staff in the latest environmental-screening techniques or recycling waste heat to grow thousands of seedlings for community planting projects.

With 70 years of service, SaskPower is indeed a made-in-Saskatchewan success story. As we look ahead to the marketplace of the 21st century, the challenges are many. Although we've made considerable advances in preparing for deregulation and competition – setting financial targets, reducing debt, rebalancing rates to better reflect the cost of service and negotiating long-term contracts with key accounts – we know that more work needs to be done. SaskPower remains the high-cost producer in Western Canada, due in part to our low customer density, poor-quality coal and minimal hydro resources, and we must continue to take every opportunity to improve our performance and the level of service we offer to our customers.

As always, keeping our business priorities on track wouldn't be possible without the initiative and hard work of our employees. SaskPower is stronger for their efforts.



John Wright
President and Chief Executive Officer



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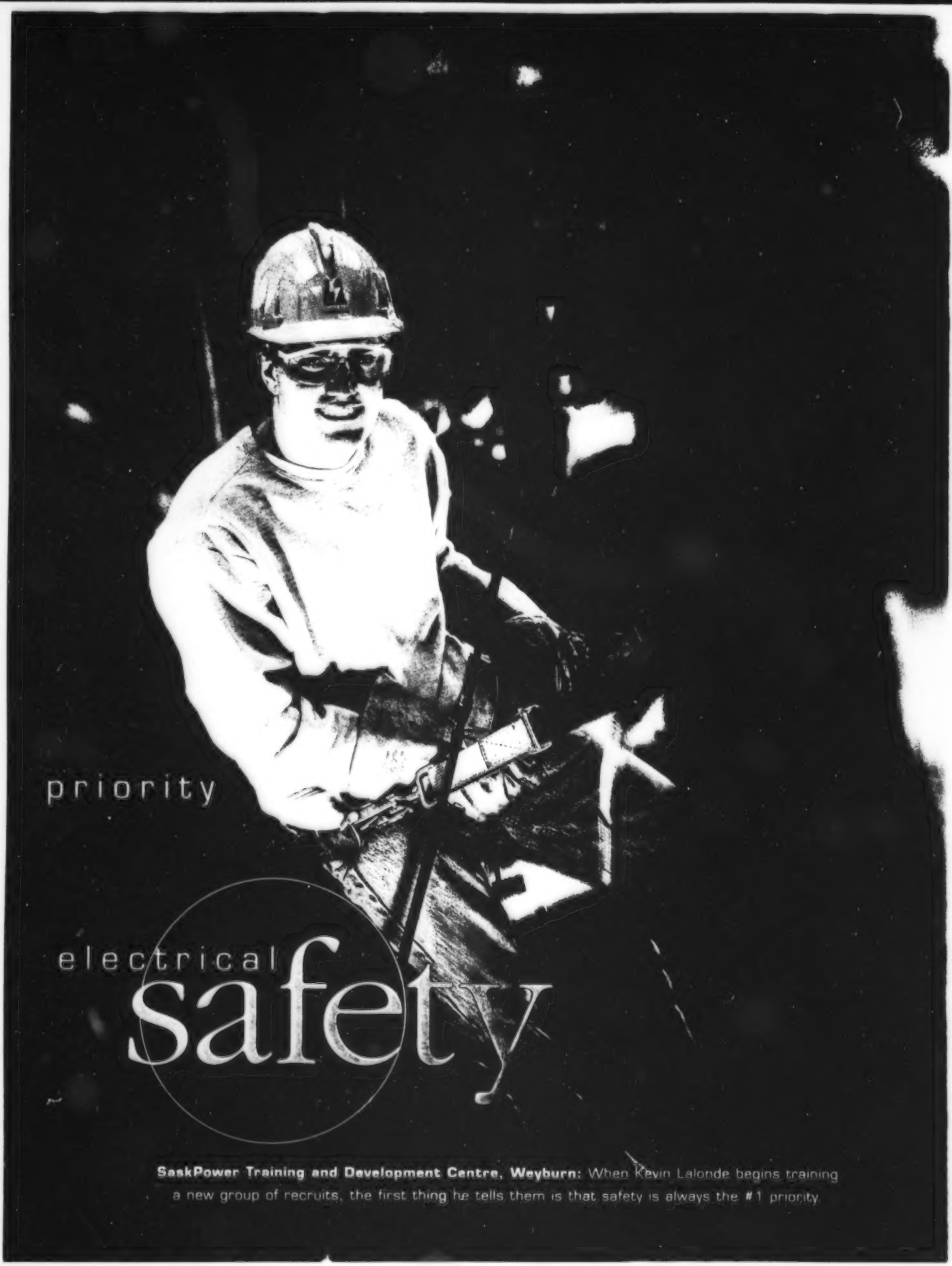


SaskPower Training and Development Centre, Weyburn: When Kevin Lalonde begins training a new group of recruits, the first thing he tells them is that safety is always the #1 priority.

Safety at home and at work

Priority #1 - Safety

Electricity has become an essential part of our lives – and while it fuels progress and quality of life, it also commands respect. When our highly-skilled linemen don their protective gear and bond onto a live power line to perform maintenance, safety is first and foremost in their minds. In fact, safety is our top priority across the corporation, from our power stations and Grid Control Centre to our district offices.

We're committed to ensuring that every employee and contractor, every industrial user and business operator, every farmer and city dweller – and every child – in Saskatchewan knows that when it comes to electricity, safety is priority #1.

Safety on the Job

We hired independent consultants to do a comprehensive safety audit and provide us with an accurate, objective picture of our performance. The results and recommendations are the framework for our new corporate safety initiative, which will be formally launched in January 2000.

The responsibility for doing business safely is shared by employees across the corporation. Our management, unions and joint occupational health and safety (OH&S) committees teamed up to articulate a vision for safety at SaskPower and are working to develop safety action plans and training initiatives.

Our corporate commitment to a safe work environment at SaskPower also includes the safety of all contractors. For the past decade, we've worked together to recognize accomplishments in this area through our annual SaskPower/Contractor Safety Awards.

Trent Knobel and Tony Dhillon demonstrate the safety precautions they take as part of the highly skilled team of employees at Shand Power Station, a commitment shared by employees corporate-wide.

One of our major safety successes at SaskPower in 1999 was the milestone achieved by the employees at Shand Power Station. On May 15, 1999, the team celebrated two years without a lost-time injury. Their safety-first attitude is evident in every area of the plant, in support of their commitment to continuous improvement in working safely.

Safety in Saskatchewan Communities

SaskPower is mandated to enforce the Electrical Inspection Act and Gas Inspection Act in Saskatchewan to ensure the safe installation of gas and electrical equipment. It's a job that takes our Gas and Electrical Inspections staff to the four corners of the province and in 1999, they inspected nearly 60,000 gas and electrical installations and issued about 110,000 permits. Inspections staff have also gone on-line, using Internet technology to help streamline the permit process for contractors and SaskPower.

They also work to educate the general public about safety practices, including the need for regular servicing of heating equipment in homes and businesses by a qualified professional. To support SaskPower's safety mandate, Communications and Public Affairs works closely with Inspections and other groups within the corporation to help build public awareness of safety issues via bill stuffers, public service announcements, safety brochures, and print and TV ads.

The corporation's ongoing efforts to ensure safe installation of gas and electrical equipment and build public awareness about safety are having an impact, as no deaths from a faulty chimney or gas appliance occurred in the province in 1999.

Saskatchewan safety statistics indicate the majority of farm fatalities involve children and youth under 20 and adults over 60. Although less than three per cent of farm accidents are electricity-related, SaskPower is committed to help promote safe working conditions on Saskatchewan farms.

We introduced a multimedia campaign, Come Home Safe Tonight, to help change the safety behaviour of our customers and reduce the number of fatalities and injuries on Saskatchewan farms. We also established a partnership with the Saskatchewan Safety Council in 1999 to support their youth farm safety team, the Power Pac. This group of energetic teenagers delivers the farm safety message with a personal touch, speaking to thousands of students at rural schools across the province.

Reliable power province-wide

Year 2000 Transition

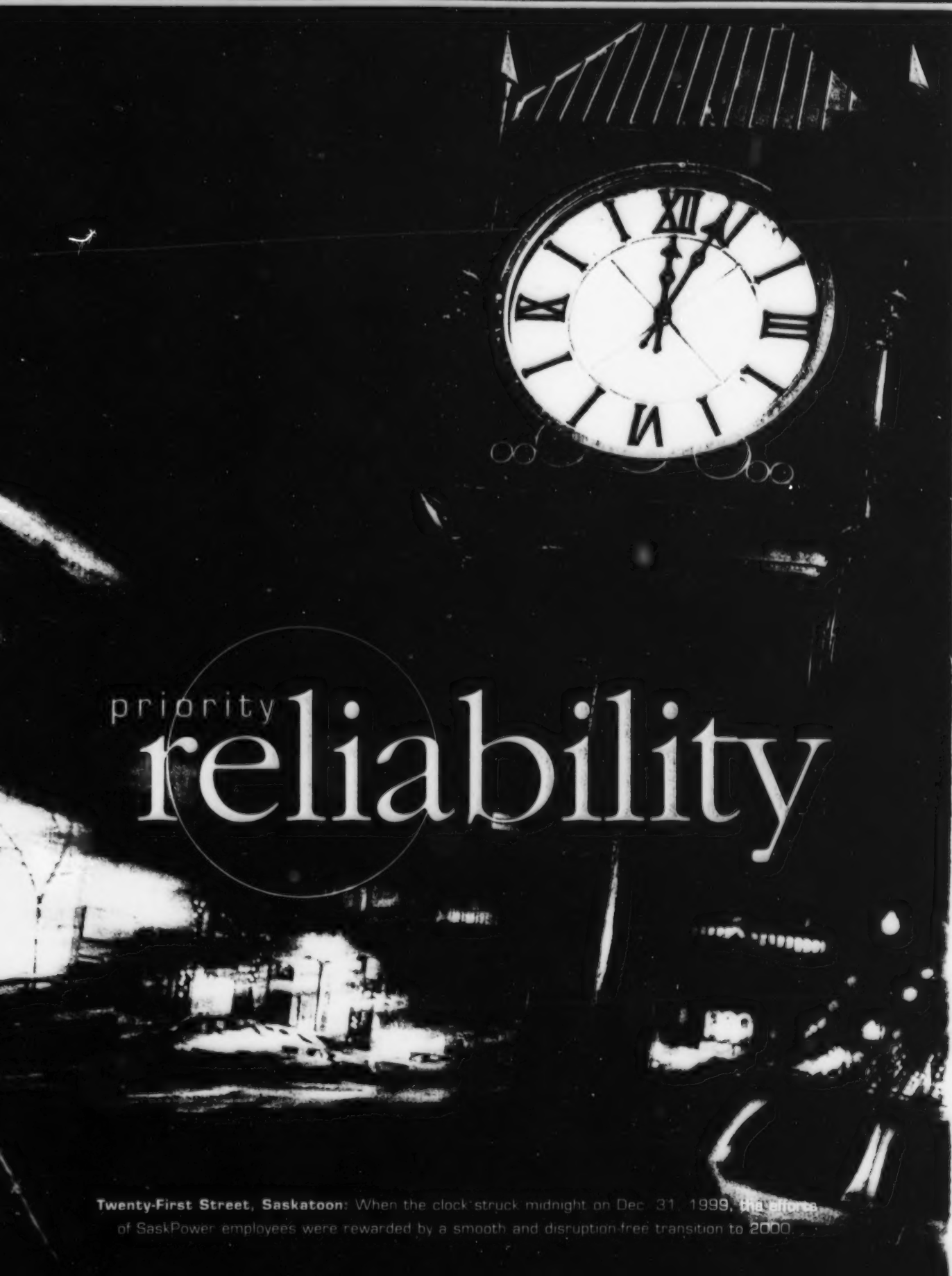
As the world awaited – and then celebrated – the arrival of 2000, SaskPower joined utilities worldwide in successfully generating and delivering electricity when the clock struck midnight on Dec. 31, 1999. For our customers province-wide, the transition to 2000 passed with no Y2K service disruptions – a winning result that can be directly attributed to three years of preparation by SaskPower employees. We also expect to conduct business as usual during the leap-year transition, Feb. 28 – March 1, 2000.

Maintaining our 70-year record of reliable and safe electricity service into 2000 was SaskPower's leading business priority in 1999, and our executive and board of directors reviewed our progress monthly. Under the direction and guidance of our Year 2000 Program Management Organization, employee teams continued the Y2K effort we began in 1996 and worked closely with the North American electric industry to successfully meet milestone dates for preparedness.

Our comprehensive approach included participating in major drills with industry partners, working with key suppliers, conducting an extensive communications program and developing detailed contingency plans. While contingency planning is part of our ongoing business at SaskPower and we have plans in place to cover a variety of possible situations, it was crucial to review those plans across the board as part of our Y2K effort. Staff added to existing procedures by developing plans to address potential Y2K scenarios.

With all major work related to SaskPower's core business information systems complete by year-end 1998, we kept SaskPower's hardware and software prepared throughout the year and completed final Y2K testing.

The primary focus in 1999 was the embedded-chip technology in our operating control systems, and we assessed over 15,000 devices that control or monitor our power generation and delivery systems. As a further precaution, we advanced generating unit clocks to year 2000 time. By adjusting our units this way, we eliminated the need for units to go through the date change at year-end. Staff will adjust unit clocks to real time during scheduled maintenance shutdowns in 2000.



Twenty-First Street, Saskatoon: When the clock struck midnight on Dec. 31, 1999, the efforts of SaskPower employees were rewarded by a smooth and disruption-free transition to 2000.

The North American electric industry set a mid-year deadline, June 30, for Y2K preparedness and we met this challenge on schedule, proving the readiness of our power stations, switching stations, transmission and distribution lines, and the grid control system. We also participated successfully in the industry drills coordinated by the North American Electric Reliability Council (NERC). On April 9, we used backup communications systems to prove our ability to manually operate the power system with staff at key locations. On Sept. 8 and 9, we rehearsed operating the system during the Y2K transition. This involved placing extra staff at important locations, using satellite and internal backup communications, and rehearsing contingency plan response.

SaskPower's Nipawin Hydro station, like all SaskPower facilities and equipment, was Y2K-ready six months prior to the transition.

As we worked through the Y2K challenge, we knew it was critical to keep our customers and business partners informed of our progress. We conducted a province-wide communications program that included customer and public presentations, advertising, bill inserts, media interviews and updates to the SaskPower website. We also partnered with SaskEnergy and SaskTel to deliver messages about the Y2K status of our three utilities.

With a successful Y2K transition behind us, SaskPower has a legacy of power systems information, contingency plans and cross-business unit project management experience that will stand us in good stead for many years to come. Equally valuable are the cooperative relationships we established with our customers and Saskatchewan communities, SaskTel and SaskEnergy, and our industry partners.

We anticipate our total costs associated with Y2K readiness to be approximately $10 million from 1996 through 2000. This represents a decrease from the $15 million we projected last year, as we found fewer equipment problems than originally anticipated.

Throughout the Y2K preparation effort, SaskPower employees demonstrated the corporate-wide focus, expertise and determination that will help us meet the challenges of reliably serving our customers today and into the future.

Transmission and Distribution

The sturdy network of transmission towers and power poles dotting the Saskatchewan landscape is the life's work of generations of SaskPower employees. Staff in our Transmission and Distribution (T&D) business unit oversee 150,000 kilometres of line across 526,600 square kilometres of diverse terrain.

Maintaining the integrity of this vast transmission and distribution network is T&D's core business. Whether we're upgrading elements of the network, expanding service to growing communities or restoring power after a summer storm, we're committed to achieving high standards of safety, reliability and customer satisfaction.

All T&D initiatives are grounded in a solid business strategy that emphasizes advance planning and fiscal responsibility. Our planning team studies present and future system requirements and works with employees across the business unit to maintain and upgrade SaskPower's province-wide network.

T&D highlights:

• All T&D regions are now participating in enhancing SaskPower's dispatching process as part of our ongoing efforts to improve the level of service we provide to our customers. It makes good business sense for T&D staff to effectively co-ordinate dispatching because our group takes the lead in restoring service.

• We energized SaskPower's new 138-kV line from Macklin to Lloydminster. The L2E line will ensure that we can effectively meet the supply needs of customers in the region for years to come.

• We opened a new T&D Service Centre in Moose Jaw, consolidating Moose Jaw district staff and equipment in a central location.

• We invested $8.5 million to replace wood poles that had reached the end of their useful lives. This ongoing capital project is improving the safety and reliability of our distribution network.

• We celebrated the official launch of the Conductor™ Skills Training System at SaskPower's Training and Development Centre in Weyburn. Conductor is a series of integrated modules that we've developed to train our employees and market to other organizations. We're working in partnership with SaskPower International to promote the program to a global audience.

• We implemented a strategic vegetation management plan that will improve reliability by reducing contact between trees and power lines. Planned maintenance and brush control projects are an integral part of T&D operations each year.

• We launched a pilot project to enhance our employee training processes. We're using a software tool, the Traccess Learning Management System, to assess our present-day knowledge and skills and develop training plans and job profiles.

• We continued to implement SaskPower's new Geographical Information System (GIS), an information system that locates our distribution facilities in relation to the provincial landbase and enables us to attach a range of information about each location. We'll use the GIS to improve the way we manage our facilities. We're working to convert all paper maps to this on-line business tool by June 2000.

• Our customer connect expenditures totalled approximately $40 million in 1999, which is consistent with average spending in past years. Customer connects this year continued the trends established in 1998, with the oilfield sector experiencing a decrease in activity and demand for farm and urban residential service on the increase.

Power Production

We've been powering Saskatchewan for 70 years, and we place a high priority on supplying reliable, safe, cost-effective power to customers province-wide.

The employees in our Power Production business unit work together to generate electricity in an environmentally sustainable manner – and at the lowest possible cost. As a team, we've committed to continuous improvement in every area of operations to maximize production at our 14 power stations.

This commitment to excellence fuels our progress in achieving our business objectives. SaskPower's investment in generation is considerable, and Power Production is optimizing the capacity and life span of those assets. Our unit overhaul strategy improves reliability and availability while removing system deficiencies to position units for possible capacity increases in the future. We're reducing operating and maintenance costs wherever possible and securing long-term supplies of the lignite coal, water and natural gas we use to operate the corporation's fleet of generating units.

Every improvement we identify, every efficiency we achieve, is contributing to SaskPower's success and preparing us to compete in the marketplace of the 21st century. Implementing best practices and emulating the operations of an independent power producer will help ready us for the challenges of deregulation and competition.

Among our accomplishments in 1999:

- We increased the performance of Poplar River Power Station Unit #2 by significantly enhancing the original design of the unit. Improvements to the coal pulverizers, secondary air-heaters and turbine, as well as new low nitrogen oxides (NO_x) burners, have improved reliability and efficiency while reducing emissions.
- We refurbished the Landis natural gas peaking station rather than decommissioning the 60-MW unit as it reached the end of its useful life. By rebuilding the unit and expanding its capacity to 80 MW, we have an additional 20 MW of peaking power available to the system when needed.
- We received national recognition for our generating unit performance. The Canadian Electricity Association's 1998 status report of 14 utilities ranks four SaskPower units in the top 10 of their respective classes when compared to units of similar size and type of generation.
- We conducted a test burn of natural gas at Boundary Dam Power Station (BDPS), our largest coal-fired station, as part of our ongoing efforts to investigate potential capacity increases. The results indicate that capacity increases would vary, depending on changes to the existing BDPS infrastructure.
- We restructured operations at our power stations to provide greater focus on operational and maintenance planning. We also restructured Power Production support functions into two groups: Operations Support provides technical support with an emphasis on power station maintenance and asset management, and Business Performance and Planning focuses on business performance, benchmarking top performers in the industry, pursuing sustainable development initiatives, and making long-range plans to manage strategic issues such as the Kyoto Protocol.

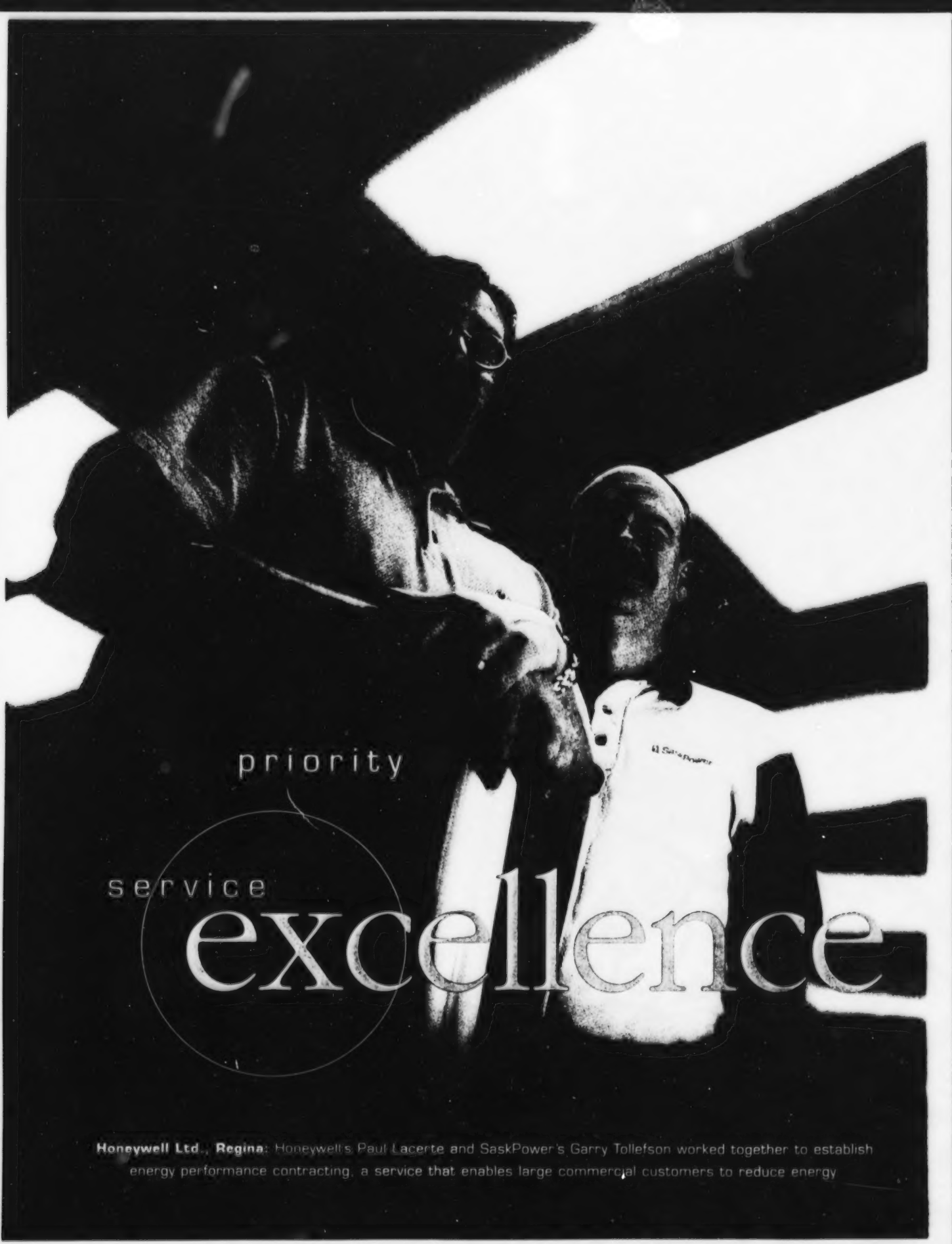
Generation Statistics

Source	1999 Rated Capacity (Net Megawatts) *at December 31, 1999*	1999 Net Energy (GW.h)
Coal	1,658	11,568
Gas	378	995
Hydro	853	3,668
Generated Energy	2,889	16,231
Purchased Energy	-	1,811
Total	2,889	18,042
Total Energy		18,042
Less Losses & Other		(1,817)
Total Energy Sold		16,225
Energy Sold		
To Customers		15,424
To Export Markets		801
Total Energy Sold		16,225

Annual Peak Load (net) 2,709 MW (1999-01-07 17:51 and 1999-12-20 18:45)

Minimum Load (net) 1,260 MW (1999-06-10 00:50)

Summer Peak Load (net) 2,481 MW (1999-06-25 16:37)



Honeywell Ltd., Regina: Honeywell's Paul Lacerte and SaskPower's Garry Tollefson worked together to establish energy performance contracting, a service that enables large commercial customers to reduce energy

Providing energy solutions

Customer Service

Serving our customers with excellence is a leading priority at SaskPower. The mission of our Customer Services business unit is to be the preferred retailer of energy solutions and we've structured the unit to support our focus on the customer:

- Business Services oversees the customer information systems for all customer categories and develops the policies governing our interaction with customers.
- Marketing Services conducts customer research and develops products, services and marketing programs to meet the needs of our various customer segments.
- Field Customer Services has 37 locations across the province and offers a range of support services, including customer payments, billing inquiries and applications for service, as well as specialized support to our major accounts.
- Bulk Power Management and Trading ensures we have sufficient electrical supply for the Saskatchewan marketplace and helps optimize the value of SaskPower's resources through a growing expertise in wholesale energy market trading.
- Key Accounts provides one-on-one support to our key account customers, the 33 industrial users who generate almost one-third of SaskPower's annual revenue.
- Pricing and Revenue Forecasting develops our rate structure and forecasts future load and revenues.

We're continuing to identify customer needs and develop products and services that build customer satisfaction and loyalty. We established the following action plans in 1999:

- Develop a customer segmentation strategy that addresses products, services, pricing and marketing programs for each customer group.
- Develop a system to measure customer satisfaction.
- Redesign our processes and organization to support service excellence.
- Expand the use of information technology to develop and deliver products and services.

service

partnership

CIM (Commercial Industrial Manufacturing Ltd.), Humboldt: Allan Haeber and his team have produced more than 12,000 light standards for SaskPower since 1985. CIM received a Power of Business award from the corporation in 1999.

We made exciting progress in 1999 in achieving our objectives:

• We conducted the most comprehensive customer survey in SaskPower's history, the Customer Satisfaction Index (CSI). We're using the CSI results to develop strategies to improve customer satisfaction, and we'll measure our progress along the way.

• We launched SaskPower Energy Solutions, a series of products and services to meet customer needs. We're partnering with Honeywell Ltd. to offer energy performance contracting, a service that enables large commercial customers to reduce energy consumption and improve their bottom line. We're also marketing SaskPower's expertise in transmission/substation maintenance to customers with high-voltage transformers. In time, we'll be offering innovative products and services to all customer segments.

• We selected prototypes for two new Internet products to be piloted in 2000 – the first will provide selected major customers with access to metering information to make operational decisions in their facilities, and the second is an energy self-audit for residential customers.

• On the supply side, we signed five long-term contracts during 1999, securing $19 million of revenue annually. Our first large-scale cogeneration power purchase also came on-stream in 1999. SaskPower will buy up to 210 MW of power annually for the next 25 years from the Meridian Cogeneration Project, which was constructed by TransAlta Corporation and Husky Oil Operations Ltd. at the Husky Lloydminster Upgrader.

Human Resources

SaskPower's focus on service excellence includes our internal customers – our employees. The Human Resources (HR) support group works with business units and support groups to bring forward best practices in employee relations and development, adapting them to meet SaskPower's needs.

HR's areas of responsibility include compensation and benefits, recruitment, training, diversity, occupational health and safety (OH&S), organizational development, aboriginal affairs and labour relations.

Safety is SaskPower's #1 priority, and the OH&S team is working with our unions, business units, support groups and joint union/management OH&S committees to coordinate our new corporate safety initiative.

We're taking a collaborative approach to other workplace issues, including diversity. Staff from several areas within the corporation developed a partnership with the File Hills Tribal Council to train aboriginal linemen. The program has been very successful, with a number of graduates securing employment at SaskPower.

As part of SaskPower's ongoing efforts to develop a workforce that is representative of the customers we serve, our joint union/management diversity committee finalized a business case and strategy that will be implemented in 2000. The committee also addressed another key issue – harassment in the workplace – and revised SaskPower's harassment policy to cover changes made to the Occupational Health and Safety Act and Saskatchewan human rights legislation. By the end of 1999, about half of our 2,100 employees had attended information sessions regarding the new policy.

SaskPower offers a range of training opportunities for employees to enhance their core competencies.

Knowledge companies will be major drivers in the 21st century economy and we encourage employees to take every opportunity to enhance their knowledge and skills. We offer on-site resources through our Learning Resource Centre at head office and have an Employee Development Curriculum in place to assist staff with their professional development needs. New in 1999 is a leadership succession plan coordinated by our Organizational Development group. Fourteen employees are participating in the three-year program, put on in partnership with the University of Regina.

Communication is integral to the success of our HR initiatives and in 1999, we conducted an employee survey on our effectiveness and established benchmarks to measure our progress. We also launched an interim HR intranet site to enhance our dialogue with employees while the corporate-wide intranet is readied for launch in 2000.

In the area of labour relations, HR worked diligently in 1999 to improve relations with SaskPower's largest union, the International Brotherhood of Electrical Workers (IBEW). While relations have remained challenging since the labour dispute in 1998, we're optimistic that some progress has been made in revitalizing this important business relationship. We continue to have a good rapport with the Communications, Energy and Paperworkers (CEP) union, and 1999 saw the introduction of SaskPower's new gender-neutral job evaluation system, which was developed in consultation with CEP and provides members with equal pay for work of equal value.

The payroll function at SaskPower was moved to HR's Compensation and Benefits group in 1999, and their major focus was the integration of new SAP technology. Compensation and Benefits also completed a review of our benefit plans and looked to develop new initiatives, including a joint CEP/management program to help balance work and family life.

Corporate and Financial Services

Formerly our Finance support group, Corporate and Financial Services updated its name in 1999 to reflect organizational changes in the area and a new service-oriented focus.

Corporate and Financial Services is dedicated to improving awareness of business planning and risk management in the corporation, providing meaningful and useful financial information, and delivering value-added services to SaskPower's business units and support groups.

Our employees advanced a number of strategic initiatives in 1999:

- We created a new department, Financial Consultancy, to provide financial support and expertise across the corporation. This group facilitated the successful negotiation of a transfer-pricing model between SaskPower's newly formed investment centres. The investment centres will now be responsible for their own revenues, expenses and assets

and they'll use transfer pricing to account for the products and services they receive from each other. We used 1999 as a trial year, with the new transfer-pricing agreements taking effect Jan. 1, 2000. Transfer pricing will help SaskPower evaluate the performance of our investment centres by calculating their economic profit, one of the measures on the new balanced scorecard we've put in place to track our performance corporate-wide.

- The Treasury department became Treasury and Enterprise Risk Management in recognition of our continuing role as the corporate facilitator for SaskPower's risk management activities. We successfully configured and implemented the SAP treasury module, enabling staff to more efficiently manage SaskPower's cash flow, including debt valuation and risk analysis. We continued to improve SaskPower's balance sheet through the early retirement of debt obligations. In total, SaskPower's debt was reduced by $184 million in 1999.
- Business and Financial Planning continued to work on SaskPower's new business tool – the balanced scorecard. We also conducted information sessions to help employees understand the financial concepts now in place at SaskPower, including transfer pricing, investment centres, balanced scorecard and the new planning process.
- The Controller's group successfully implemented the financial modules of SAP, achieving a three-day close at the first month-end after conversion. We also streamlined SaskPower's procurement process by expanding the use of our procurement card program. As part of our commitment to improve information flow, we continued to enhance internal reporting among our internal client groups and also produced the first annual report for members of the SaskPower Superannuation Plan.
- We welcomed the addition of the Corporate Services and Internal Audit groups following a corporate reorganization in 1999. Both groups have an integral role in the day-to-day work of SaskPower, and their strong financial management focus and involvement in corporate-wide operations make them a natural fit within our expanded corporate group.

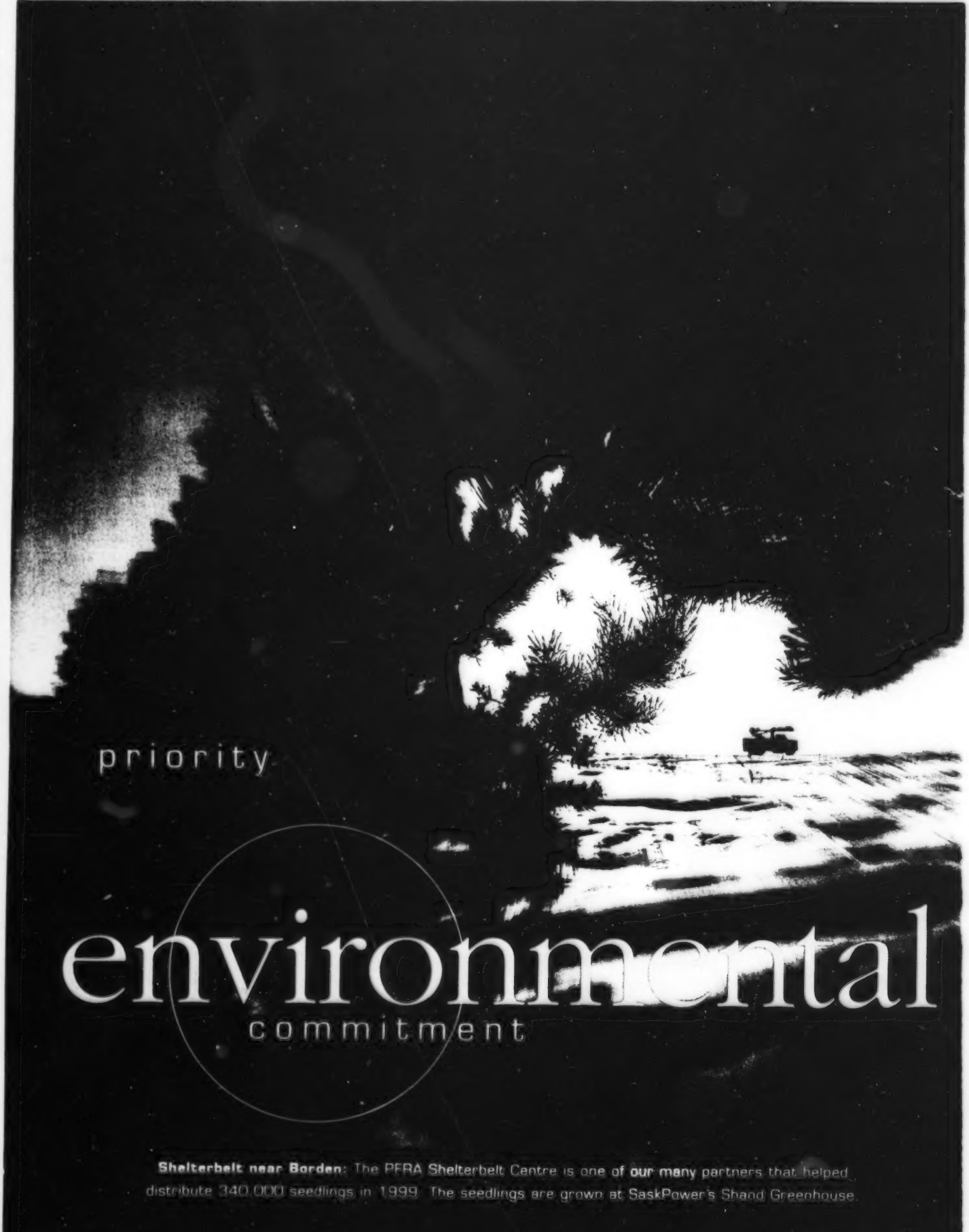
Communications and Public Affairs

Effective communication is a cornerstone of good business, and Communications and Public Affairs works with our business units and support groups to facilitate excellence in communications at SaskPower.

The Communications and Public Affairs group is responsible for employee communications, community sponsorships, advertising, marketing communications, media relations and new media – SaskPower's corporate Internet and intranet sites.

Our team is committed to the principles of strategic communication – communication that supports SaskPower's business strategy, is driven by corporate priorities and values, and contributes directly to the bottom line. In a time of industry change and business evolution at SaskPower, strategic communication becomes all the more critical as we work to enhance relationships with our internal and external customers.

As part of our ongoing efforts to strengthen this dialogue, we invited a cross-section of our internal audiences to the table to work with us in developing and implementing a strategic framework for internal communications. We'll continue to move the process forward with a comprehensive employee survey in 2000.



Shelterbelt near Borden: The PFRA Shelterbelt Centre is one of our many partners that helped distribute 340,000 seedlings in 1999. The seedlings are grown at SaskPower's Shand Greenhouse.

Commitment to the environment

Sustainable Development

Our commitment to balance the province's energy needs with a sustainable environment begins with sound environmental planning and compliance with all applicable regulations, coordinated corporate-wide by the Environmental Programs group in Corporate Planning and Regulatory Affairs. We ensure that our employees are trained in the tools and techniques they need to carry out the environmental aspects of their jobs. We belong to the Environmental Commitment and Responsibility Program (ECRP), a strategic alliance of Canada's electric utilities. We partner with industry and community to build awareness and address issues. And, in keeping with SaskPower's philosophy of continuous improvement, we keep abreast of new developments and work to improve our performance.

SaskPower is implementing a state-of-the-art environmental management system (EMS) that will enable us to better assess and control the environmental aspects of our business. Boundary Dam Power Station was registered to the ISO 14001 standard in 1999, one of the first coal-fired plants in Canada to do so. Other areas of the corporation are working to achieve this international standard of EMS excellence in 2000.

We continue to make progress on a number of strategic issues:

- We remain on track with our five-year plan to install electrostatic precipitators (ESPs) at Boundary Dam Power Station, removing up to 99 per cent of particulate emissions from the stacks. The unit #4 ESP was completed in 1999, and we plan to retrofit one unit annually through 2003. The project is the first initiative under our Memorandum of Understanding with Saskatchewan Environment and Resource Management (SERM) to provide long-term environmental protection.
- We established a pilot project with SERM to plant five million seedlings in Saskatchewan's northern forests over the next four years. The pilot will support the renewal of our forests, provide carbon offset opportunities for SaskPower and incorporate scientific research to help develop national standards for future programs.

• We entered into a three-year partnership with government, industry and the University of Regina to conduct leading-edge research into greenhouse gas emission reduction. We'll provide an existing pre-commercial CO_2 capture demonstration unit at Boundary Dam Power Station, on-site support, electricity and gas supplies, and expertise in thermal power technology.

• We conducted environmental screening on 120 projects in district, regional and head office locations. We also coordinated environmental monitoring of the 138-kV line from Lloydminster to Macklin in the environmentally sensitive Manitou sandhills, and undertook reclamation of select portions of the line.

• We partnered with government and the local aboriginal community to help increase sturgeon populations in the lower Saskatchewan River. We supported a four-year study to investigate the problem and are now a founding member of the Saskatchewan River Sturgeon Management Board. More than 40,000 sturgeon were released into the river in 1999 through our first spawning camp effort.

• We cooperated with Nature Saskatchewan to relocate an osprey nest from the top of a 25-kV line to a 10-metre pole near Rosthern. The relocation was a success, with baby osprey arriving in July.

• We launched a project with Ducks Unlimited (DU) Canada to teach students about the important contribution wetlands make to the environment. The program was offered to schools in Lloydminster, Melfort, North Battleford, Regina, Saskatoon, Wadena and Yorkton. Other 1999 SaskPower/DU initiatives included a program to mount devices on hay mowers to flush wildlife out of harm's way, and the collection of native plant ecovars to restore grasslands and provide cover for ground-nesting birds.

• We received a 1998 Great Blue Heron Award from the North American Waterfowl Management Plan in recognition of our commitment to wetland conservation.

Shand Greenhouse

With thousands of SaskPower Shand Greenhouse seedlings taking root across the province each year, Shand Greenhouse is indeed a growing enterprise. Our mandate as a SaskPower subsidiary is to implement programs to increase public awareness of the relationship between electrical generation and the environment, and to foster environmental protection by propagating native plants.

The SaskPower Shand Greenhouse grows and distributes seedlings free of charge as part of our commitment to balance the province's energy needs with a sustainable environment.

We grow and distribute seedlings free of charge to schools, communities and individuals for conservation and wildlife habitat projects. Interested parties are invited to apply to TREEmendous Saskatchewan in the fall to request seedlings for spring planting. Among our key initiatives in 1999:

- We distributed over 340,000 seedlings in the province, with our total distribution since 1991 exceeding two million. Our planting partner TREEmendous Saskatchewan, a non-profit group based in Prince Albert, distributed over 40 per cent of this year's seedlings. We partnered with PFRA Shelterbelt Centre, Luscar Coal Corporation, Pheasants Forever and SERM to distribute the balance. The 1999 seedlings are equivalent to about 20,000 tonnes of CO_2 offsets annually.
- We developed a millennium grove project with TREEmendous Saskatchewan to celebrate the new century and Saskatchewan's upcoming centennial in 2005. This once-in-a-lifetime project will see up to 50 groups each commit to plant 2,000 trees over the next five years.
- We partnered with Customer Services to distribute 15,000 blue spruce seedlings to SaskPower customers in 37 communities through the From Our Treehouse to You program.
- We supplied more than 3,000 lodgepole pine seedlings for planting by students, campers and cabin owners at Cypress Hills Interprovincial Park.
- We continued our community outreach program, working with Saskatchewan schools to educate young people about the environment. More than 700 students participated in our Seedling is Believing presentations at schools in the Kindersley, Biggar and North Battleford area. We also profiled the environment in the Agri-Ed showcase at Agribition in Regina, which was attended by about 8,000 children. We highlighted the importance of trees in an interactive display and had staff members on hand to answer questions from students and teachers.
- We launched the Power Planters Ambassador Program, a student essay contest in which we invited students to write about how trees cool the earth by absorbing CO_2. This year's Power Planters hailed from Tisdale, Glentworth, Montmartre and North Battleford.
- We hosted hundreds of visitors at the greenhouse through our annual Trees and Kids program in June and daily tours offered in the summer by Tourism Estevan.
- We conducted a number of plant trials, including germination research on four rare native plants. These species will be used in an upcoming coal remediation project for Luscar, SaskPower's coal supplier.
- We introduced a program to custom-grow native plants for specific projects in Saskatchewan. It's an opportunity to preserve, restore and protect native plants, which in turn will benefit soil conservation, wildlife habitat, agriculture and our prairie heritage. As the program continues, we'll be sharing what we learn about propagating these species to support the growth of a native plant industry in Saskatchewan.

Meridian Cogeneration Project, Lloydminster: The project, our first large-scale cogeneration power purchase, will supply SaskPower with up to 210 MW of power annually for 25 years.

Working toward the future

SaskPower International

SaskPower has a proud history of growth and innovation dating back some 70 years. In those early days, we tackled the challenges of rural electrification. Since then, we've built a world-class power grid and continue to deliver electricity reliably and safely to homes and businesses across the province.

Today, SaskPower International is the vehicle of growth for SaskPower, and we're working to diversify the corporation's revenue base and achieve an appropriate return on investment capital. Our growth strategy is focused in three areas:

- marketing SaskPower's expertise to national and international markets;
- investing in power projects where SaskPower's core skills can add value and the commercial and political risks are acceptable and manageable; and
- selling flyash and other by-products of electricity generation.

Established as a wholly owned subsidiary in 1994, we've marketed our expertise in more than a dozen countries and several Canadian provinces. We continued to expand our global clientele in 1999 with new projects in Kazakhstan, Egypt and Eritrea.

We began work on a CIDA-funded project to help a utility in Kazakhstan prepare international bidding documents for the rehabilitation of their national transmission system. The actual rehabilitation work is being financed by the World Bank and the European Bank for Reconstruction and Development. In Egypt, we assisted utilities with their five-year financial forecasts and provided recommendations to improve their financial planning.

At the request of the World Bank, we took on a project in Eritrea to prepare the terms of reference for the rehabilitation of the region's power distribution system. We've also been providing input on a World Bank project in Russia by advising two regional electric utilities on training requirements resulting from fundamental organizational restructuring.

Here at home, our major initiative in 1999 saw us form a joint-venture relationship with Alberta's ATCO Power Ltd. to pursue cogeneration investments in Saskatchewan. SaskPower plans to add more than 150 MW of generation by late 2002 to meet future load requirements, and this partnership will bring forward potential sources of supply for consideration. SaskPower International and ATCO will also be looking for investment opportunities outside Saskatchewan, enabling us to grow our business and generate revenue from new sources.

One of our core businesses is marketing flyash from two SaskPower generating facilities, Shand Power Station and Boundary Dam Power Station (BDPS). The fine powder that remains when coal is burned to generate electricity, flyash was once viewed as waste but, in fact, this by-product has a variety of industrial uses. Every power station's flyash is a bit different and its qualities determine its business application. BDPS flyash is primarily used as a cement replacement in ready-mixed concrete, while Shand flyash is typically used as fill material for the mining and oil industries.

Marketing flyash benefits the environment by reducing the volume that would normally be disposed of, and also benefits the bottom line by increasing revenues. Sales are dependent on market conditions, so we look for every opportunity to strengthen our position. To meet the needs of BDPS flyash customers, the power station's flyash recovery and handling systems are being upgraded in 2000. We're also testing other uses for Shand flyash, including highway construction.

Glenn Schmuland, manager, IT Consultancy. CI&T's three departments – Enterprise Systems, IT Services and IT Consultancy – are committed to innovative service.

Corporate Information and Technology

From the opportunities spinning off the Web to the explosion of cutting-edge hardware and user-friendly software, the message from cyberspace is crystal clear – information technology is changing the way we live our lives and do our jobs.

To better support the strategic role of information technology within the corporation, we established Corporate Information and Technology (CI&T) as a separate support group in 1999. Under the leadership and direction of a Chief Information Officer, we're working to be a valued strategic partner to SaskPower's business units and support groups.

Our mission is to enable SaskPower to achieve business objectives through the prudent application of information technology. During this first year as a new support group, we implemented our governance structure and continued to modernize SaskPower's information technology systems and infrastructure:

- We made major improvements to the data network in terms of capacity, speed and reach within the corporation.
- We enhanced the CI&T Help Desk to deliver a more responsive level of service to users.
- We implemented a new disaster recovery plan to ensure the ongoing availability of mission-critical computer systems.

• We contributed significant project resources and technical support to the SaskPower Delta Project. This project focused on transforming SaskPower's business by improving business processes and implementing an integrated software solution, SAP, to enable these new processes.

We're targeting our efforts to provide SaskPower with the core information systems, technology and processes that will enable employees to achieve a high level of internal communication and productivity, contributing in turn to improved corporate performance.

Those targets will shift with the waves of new technology to come – and the evolution of deregulation and competition. Looking ahead, we know that information technology at SaskPower will continue to be in a state of transition. While our priorities in recent years have tended to be focused internally, we'll see a gradual shift as SaskPower leverages information technology to streamline our external business processes and improve our service to customers.

SaskPower Delta Project

We're learning to conduct business more efficiently and effectively with the successful launch of the SaskPower Delta Project on August 2, 1999. In the 18 months leading up to go-live, our Delta team worked with staff across the corporation to improve our business processes. These improvements will enable us to meet the challenges of competition, improve the quality of service we offer customers and provide appropriate financial returns now and in the future.

Our new business processes are enabled by SAP software. SaskPower's business units and support groups are linked to the SAP system and use it to perform the new processes developed for their areas. Over the coming months, SaskPower will begin to realize the benefits of this strategic business initiative as we gain experience with the new processes and software and use these tools to improve productivity and decision-making.

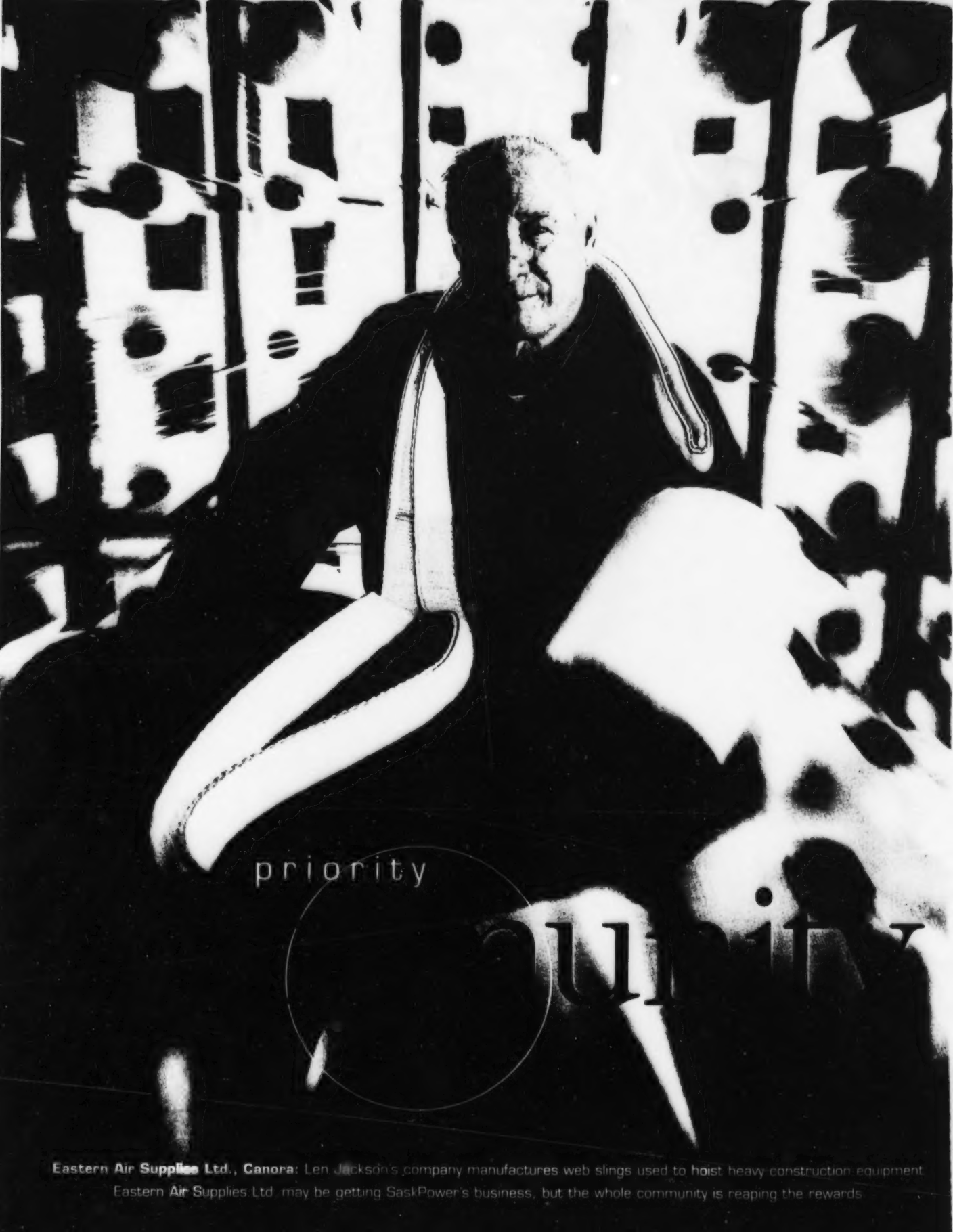
Ownership of project benefits has become the responsibility of the entire corporation. We know that learning new ways to carry out once-familiar tasks is a challenge and we've developed and delivered specialized training to employees. Training and ongoing work support will continue.

SaskPower's SAP implementation has set a standard of excellence for other companies and our own organization. Through the hard work and commitment of our employees, we've established a model for future projects and a legacy of project management skills that will benefit SaskPower in years to come.

Corporate Planning and Regulatory Affairs

Our newest support group, Corporate Planning and Regulatory Affairs (CP&RA) is responsible for determining SaskPower's corporate strategic direction and objectives. We're developing a corporate plan, evaluating strategic corporate initiatives and managing regulatory issues such as industry restructuring and rate review.

Since our inception in August 1999, we've worked to implement an organizational development and staffing plan for our four work areas – Environmental Programs, which moved to CP&RA from the former Corporate and Business Services support group, and the newly-established Corporate Planning, Strategic Corporate Development and Regulatory Affairs groups.



Eastern Air Supplies Ltd., Canora: Len Jackson's company manufactures web slings used to hoist heavy construction equipment. Eastern Air Supplies Ltd. may be getting SaskPower's business, but the whole community is reaping the rewards.

Generating economic activity

Our Community

Wide open spaces. After our sunny skies, it's probably the first thing people notice about Saskatchewan, particularly in the southern stretches. Overcoming those vast distances to create a sense of community among our small, widely dispersed population is one of the things Saskatchewan people do best.

SaskPower has been helping to build that sense of community in Saskatchewan for 70 years. For our employees, it means going the distance – and often – because service excellence is a top priority with us, whether we're connecting a new family or restoring service after a storm. We've built the most extensive network of power lines in Western Canada to deliver safe, reliable, cost-effective electricity to customers province-wide.

Powering Local Economies

As Saskatchewan's electric utility, we generate power to meet our customers' needs, but we also generate a considerable economic benefit to Saskatchewan communities. In 1999, we invested more than $500 million in the provincial economy, including about $161 million in employee salaries and benefits. We also paid $12 million to local governments in lieu of taxes, collected $29 million in municipal surcharges which were redistributed to 430 local governments, and paid $34 million in coal and gas royalties, water rentals and corporate capital tax.

Whenever possible, we support local economies by purchasing Saskatchewan goods and services. We created our Quality Assurance and Supplier Development Program in 1983 to encourage suppliers in the province to set and achieve world-class standards, and we average over 80 per cent of our purchases in Saskatchewan. In 1999, our transactions with local suppliers totalled approximately $139 million in goods and services, with purchases in excess of $3.2 billion since the outset of the program 16 years ago.

We launched a Power of Business award in 1999 to recognize the efforts of our suppliers. Each year, we'll acknowledge selected suppliers for a particular contribution – a unique product, a new contract, a long-term partnership or superior quality and service. To date, five companies have received the award – Eastern Air Supplies Ltd. of Canora, Alcatel of Weyburn, CIM (Commercial Industrial Manufacturing Ltd.) of Humboldt, ABB Power Generation Segment in Canada and PTI (Partner Technologies Incorporated) of Regina.

Powering Up with Education

Education has the power to change lives and build a more secure future. At SaskPower, we promote lifelong learning among our employees, whether it's on-the-job training to acquire a new skill, self-directed learning at our Learning Resource Centre in Regina, or courses at a college, university or technical school. We also encourage staff to get involved with SaskPower's community and youth initiatives for the professional development opportunities – and the personal satisfaction.

SaskPower supports a number of educational initiatives, including:

- the SaskPower/Robert Bondar Scholarship through the Prince Albert YWCA;
- a post-graduate scholarship to The Development Institute at the University of Regina;
- a continuing endowment for a Chair of Agri-Medicine at the University of Saskatchewan;
- two Saskatchewan Access Awareness Scholarships, awarded annually through the Saskatchewan Voice of People With Disabilities, to assist disabled individuals in enhancing their work skills;
- the SaskPower Youth Award, a post-secondary bursary that we offer through the First Nations Awards, a program that recognizes the achievements of Saskatchewan's First Nations community.

On-the-job training is one of many ways that SaskPower promotes lifelong learning among employees.

We're also helping students power up for a brighter future with two scholarship programs – one is available to the general public and the other is directed to children of our permanent employees. Each program offers six tuition scholarships annually for eligible Saskatchewan students enrolled in full-time studies at a post-secondary institution in the province. Recipients are chosen on academic achievement.

The Power of Partnership

SaskPower is a major contributor to Saskatchewan's economy and the quality of life we enjoy in our communities. In addition to the substantial dollars we spend to conduct our business, we invest about $1 million in our communities annually through our corporate contributions program, which translates into support for hundreds of programs and events each year.

The strength of our contributions program is in the partnerships we develop. We work to build alliances that mentor youth, contribute to a healthier environment and strengthen culture and heritage. In addition to financial contributions, we provide support to communities through advertising and publicity, volunteer services and donations-in-kind.

As part of our ongoing commitment to Saskatchewan communities, we supported numerous events and programs in 1999, including the following:

The SaskPower Festival of Lights was a highlight of the Christmas season for more than 35,000 Saskatchewan families.

- The SaskPower Festival of Lights lit up the night skies at Wascana Park in a holiday spectacular coordinated by the Regina Chamber of Commerce. With more than 35,000 vehicles passing through the gates, the volume of sightseers translated into increased tourist dollars for Regina businesses and a significant fundraiser for local charities, who received a dollar from each entry fee in exchange for staffing the park during their assigned shifts.
- We teamed up once again with the Saskatchewan Weekly Newspapers Association to present Junior Citizen of the Year Awards to Saskatchewan young people who have made substantial contributions to their communities. The 1999 recipients hailed from Battleford, Redvers, Saskatoon and Young. This prestigious honour has been awarded to 131 candidates since its inception in 1976.
- We became the title sponsor of the SaskPower Regina Dragon Boat Festival, one of Saskatchewan's premier community events. Organizers note the festival is unique in that it's organized completely by volunteers and operates on a cost-recovery basis. Per capita, the Regina festival has the largest number of teams and draws the biggest crowds of any dragon boat festival in the world.
- We returned for another season as the lead sponsor of women's curling in Saskatchewan, sponsoring the northern playdowns in Yorkton, the southern playdowns in Maple Creek, the Provincial SaskPower Scott Tournament of Hearts in Weyburn and the SaskPower Women's Curling Classic in Regina.
- We continued our support of the Saskatchewan Book Awards, sponsoring the fiction award for the sixth year as well as the event's first reading in Estevan.
- We worked with Breast Cancer Action Saskatchewan to roll out our second annual Power of Hope Walk in October, raising $25,000 for breast cancer research.
- We partnered once again with the Saskatoon Symphony Orchestra and Regina Symphony Orchestra to share the power of music with Saskatchewan communities.
- We supported the work of Saskatchewan's emerging artists by exhibiting their work in our Gallery on the Roof, located on the 13th floor of our head office in Regina.

Management discussion and analysis

Saskatchewan Power Corporation (SaskPower; the Corporation) is a provincially owned Crown corporation and the principal supplier of electricity in Saskatchewan. SaskPower is a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's commercial Crown corporations. Through its province-wide system, the Corporation generates, purchases, transmits, distributes and sells electricity and related products and services.

Highlights

Net Income and Debt (in millions)	**1999**	1998	Change
Revenues	**$ 977**	$ 958	$ 19
Expenses	**708**	649	59
Finance Charges	**155**	169	(14)
Net Income	**$ 114**	$ 140	$ (26)
Gross Debt	**$1,680**	$1,864	$(184)
Net Debt	**$1,543**	$1,636	$ (93)

SaskPower's consolidated net income was $114 million for the year ended December 31, 1999. This marks the fourth consecutive year that net income has exceeded $100 million. In 1999, SaskPower declared $63 million in dividends to its shareholder, internally funded 100% of its capital improvements and continued to pay down its debt.

Gross debt was reduced by $184 million or 9.9% during 1999. The reduction of debt levels provides the Corporation with increased financial flexibility for dealing with a changing marketplace. Also, finance charges for 1999 decreased by $14 million or 8.3% over the prior year.

In 1999, SaskPower paid various royalties, taxes and other charges to the Province and to Saskatchewan municipalities as indicated below.

Royalties, Taxes and Water Rentals (In millions)

Payment	Recipient	1999	1998	Change
Corporate Capital Tax	Government of Saskatchewan	$12	$12	$ -
Coal Royalties	Government of Saskatchewan	13	14	(1)
Provincial Sales Tax	Government of Saskatchewan	6	6	-
Water Rentals	Saskatchewan Water Corporation	9	9	-
Grants in Lieu of Taxes	Various Saskatchewan Municipalities	12	12	-
Total		$52	$53	$ (1)

SaskPower also collected $29 million in municipal surcharges on behalf of municipalities in 1999 (1998 – $29 million) and remitted this amount to 430 communities.

SaskPower successfully completed two initiatives in 1999 central to the Corporation's future – the Year 2000 and Delta projects. The Year 2000 project ensured that the Corporation's customers did not experience any service disruptions as a result of potential computer errors caused by the rollover of the calendar to January 1, 2000. The Delta project was a corporate-wide initiative to redesign and improve the Corporation's business processes. As part of the project, SaskPower invested in a state-of-the-art software application – Systems, Applications and Products in Data Processing (SAP) to replace the Corporation's aging information systems. Both of these projects will provide benefits in years to come through the experience gained from the Year 2000 emergency planning and from improved efficiencies resulting from the redesign of SaskPower's business processes.

Financial Results

Revenues

Total revenues in 1999 were $977 million. This consists of $957 million of electricity revenues and $20 million of other revenues which includes flyash sales, consulting fees and gas and electrical inspection income.

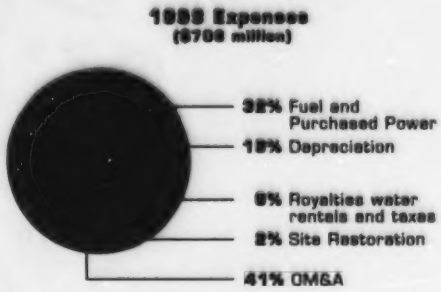
SaskPower supplies electricity to over 428,000 customers, including homeowners, farmers and businesses throughout Saskatchewan as well as customers in other jurisdictions. In 1999, electricity revenues increased by $17 million or 1.8% over the prior year. This increase was primarily the result of higher revenue generated from export sales to Alberta. Total exports increased $21 million which is double the 1998 level.

	Electricity Revenues (In millions)			Energy Sales (GW.h)		
Customer Class	1999	1998	% Change	1999	1998	% Change
Key Accounts	$225	$234	(3.8)	6,033	6,287	(4.0)
Commercial	238	238	(0.8)	3,287	3,288	(0.6)
Residential	207	203	2.0	2,315	2,266	2.2
Farm	100	97	3.1	1,300	1,262	3.0
Oilfields	95	94	1.1	1,288	1,241	4.7
Reseller	50	51	(2.0)	1,195	1,191	0.3
Export	42	21	100.0	802	618	29.8
Miscellaneous	2	2	0.0	14	34	(58.8)
Total	$957	$940	1.8	16,225	16,187	0.23

SaskPower has not had a rate adjustment since 1996 when farm and residential power rates were changed as part of a rate re-balancing process. According to the most recently available cost of service data, in 1998, farm rates recovered 81% of the actual cost of providing service, while urban residential rates recovered 93% and rural residential rates recovered 77%.

Expenses

Expenses before financing charges totalled $708 million in 1999. Expenses included operating, maintenance and administration charges (OM&A), fuel and purchased power, depreciation, royalties and taxes, and asset removal and site restoration charges. Total expenses increased $59 million over 1998. This increase is attributable to increases in the two largest components of SaskPower's expenses – OM&A and fuel and purchased power costs.



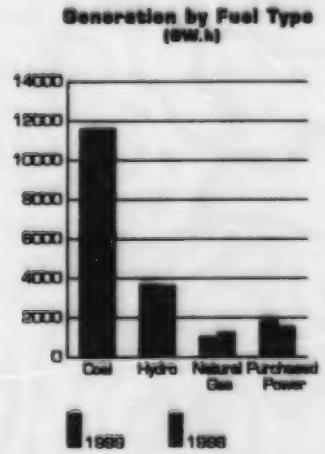
Operating, Maintenance and Administration Charges

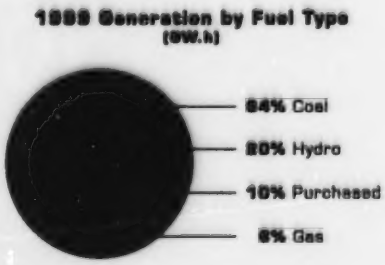
OM&A expenditures totalled $283 million in 1999, an increase of $45 million from the prior year. Two-thirds or $29 million of this increase was associated with one-time or non-recurring items such as the Delta project, a provision for obsolete inventory and the deferral of some maintenance from 1998 to 1999.

The remaining one-third or $16 million increase in OM&A in 1999 over 1998 was largely associated with increased brush clearing along power lines, reclassifying computer leases from capital to operating and ongoing staffing costs. The latter included wage and in-range adjustments and increased staff levels targeted to new SaskPower initiatives such as an apprenticeship program in the mechanical, instrumentation, electrical, operating and line trades, as well as the replacement of external information system contractors and consultants.

Fuel and Purchased Power

Fuel and purchased power costs represent approximately one-third of expenses before financing charges or $229 million in 1999. Compared to 1998, fuel and purchased power costs rose $18 million or 8.5% in 1999. This increase is the result of a $7 million increase in natural gas costs, a $2 million increase in coal costs and a $9 million rise in the cost of purchased power.





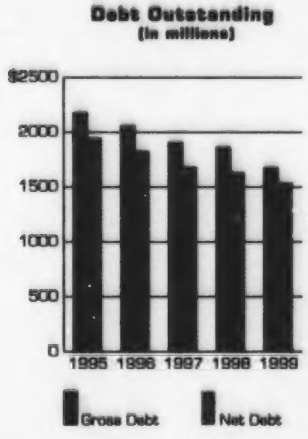
Natural gas generation accounted for 6% of the total energy sold by SaskPower in 1999. While generation from this source was down slightly in 1999 compared to 1998, rising prices for natural gas were the primary cause of higher costs for this fuel source. The average price of natural gas purchased increased 45% in 1999 from 1998.

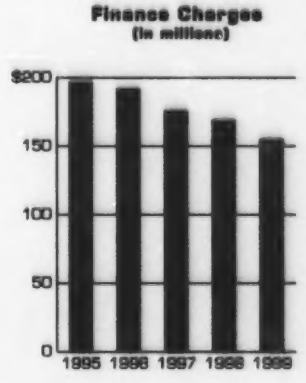
Coal generation accounted for 64% of total energy sales in 1999. Coal costs in 1999 compared to 1998 increased despite a small decrease in production from this fuel source. The rise was the result of a 1% increase in the average cost of coal in 1999 compared to 1998.

Purchased power accounted for 10% of energy sales in 1999. Purchased power includes imported power and power purchased from the Meridian cogeneration plant at Lloydminster which came on-line in December 1999. Meridian was constructed to assist in meeting Saskatchewan's growing energy needs. Imported power is used to assist the Corporation in managing fluctuations in demand for power. The rise in the cost of purchased power was due to an 18% increase in the volume of energy from this source.

Debt and Finance Charges

During 1999, SaskPower continued to pay down its debt, lowering the gross amount of debt by $184 million over 1998. The decrease in gross debt was attributable to the retirement of $128 million of debt and a $56 million decrease in the value of United States dollar denominated debt resulting from a stronger Canadian dollar. Since 1995, SaskPower has reduced its gross debt by $501 million or 23.0%.





SaskPower's net debt, which is calculated as gross debt less sinking funds, was $1,543 million in 1999 which represents a decrease of $93 million over 1998. Since 1995, SaskPower has reduced its net debt by $409 million or 21.0%.

SaskPower continues to be committed to improving the strength of the Corporation's balance sheet and associated financial indicators. Reduced debt has been a major factor in lowering the Corporation's finance charges.

Finance charges decreased by $14 million or 8.3% over 1998. This was primarily due to decreases in long-term debt and a favourable change in the United States/Canadian dollar foreign exchange rate. Since 1995, annual finance charges have been reduced by $42 million or 21.3%.

Capital Expenditures

Each year, SaskPower makes a substantial capital investment in the infrastructure of the Corporation. This includes expenditures on projects such as life extensions and rebuilds at the power plants and the replacement and expansion of the transmission and distribution system. Capital expenditures for 1999 totalled $185 million which represents an increase of $48 million over 1998. Major projects in 1999 included:

- $39 million for customer connections in locations throughout the province;
- $15 million for new precipitators at the Boundary Dam Power Station near Estevan;
- $15 million to expand the capacity and extend the life of the Landis gas-fired generation station located on the western side of the province;
- $11 million for the extension of an existing 138-kV transmission line to create a new gridline in the Lloydminster region; and
- $21 million for the Delta project.

Financial Indicators

The following measures have been identified as key indicators to be used to evaluate SaskPower's financial performance. The targets have been established as goals to guide management's actions. These targets are updated as required to reflect changing economic conditions.

	Target	1999	1998	1997	1996	1995
Return on equity or ROE (%)	Minimum 13%	9.9	12.7	12.7	14.1	8.6
Return on capital or ROC (%)	Minimum 11%	10.1	11.5	11.5	12.1	10.2
Capital structure or CS (% debt)	Maximum 50% debt	56.4	59.0	61.0	64.0	66.0
Interest coverage ratio or ICR (# of times covered)	Minimum 2.0 times	1.6	1.7	1.6	1.6	1.4
Capital expenditures internally funded or CIF (%)	Minimum 130%	109.0	100.0	119.0	219.0	114.0

The return on equity and return on capital ratios fell in 1999 due to a decrease in income before finance charges. The capital structure ratio continued to decrease in 1999 for the fourth straight year as a result of SaskPower's significant debt repayment and growing equity position. The interest coverage ratio fell slightly in 1999 due to a decline in both income before finance charges and sinking fund earnings. Despite a $48 million increase in capital spending in 1999, capital expenditures internally funded rose largely because of a decrease in dividends paid during 1999.

In 1999, SaskPower continued to develop a process to measure the performance and success of the Corporation called the balanced scorecard. The objectives of the scorecard are to: 1) provide a balanced evaluation of the Corporation's activities, processes, and financial results (including the indicators above) and 2) focus on the causes of long-term operating and financial success as well as short-term results. The balanced scorecard evaluates operating performance, customer satisfaction, safety and diversity, as well as financial performance. SaskPower's scorecard is published monthly in an on-line format accessible to employees across the Corporation.

Priorities and Issues for the Future

The electric industry in North America is continuing to change. Competition, environmental issues and technology are rapidly transforming the way utilities meet their customers' growing demand for energy.

SaskPower has established key business priorities that will enable the Corporation to manage the ongoing changes in the electric industry and take advantage of the opportunities that the future holds, while meeting its commitment to provide a reasonable return to the Corporation's shareholder. These priorities, explained in detail in the narrative section (p. 4-31) of this annual report, include safety, service excellence, reliable supply, community, innovation and environmental commitment.

As SaskPower works to advance the Corporation's business priorities, its challenges include working with a new rate review process, the possible introduction of some form of competition, balancing the province's energy needs with a sustainable environment, managing the risks inherent in the electric industry and continuing to improve the Corporation's business processes.

Rate Review Process

As a regulated utility, SaskPower must receive approval for all proposed rate increases. In November 1999, the provincial government replaced the existing 45-day public rate review process with an interim rate review panel that will conduct independent reviews of rate change applications. The mandate of the panel is to make recommendations to the government with an opinion on whether proposed rate increases are reasonable and fair. The panel is expected to remain in place for the first part of 2000 while the government examines options for a permanent rate review mechanism.

Competitive Marketplace

North America has experienced a rapid deregulation of the electric industry during the latter part of the 1990's. Most jurisdictions in the United States and some jurisdictions in Canada have introduced competition at the wholesale level and many have started to introduce competition at the retail level. Within Saskatchewan, no decision has been made regarding the introduction of competition. However, given the changing nature of the industry within North America and SaskPower's interconnection with other utilities, the Corporation is preparing for the possibility of a competitive marketplace.

Environmental Management

Environmental management is a key aspect of doing business in the utility sector, and SaskPower is committed to balancing Saskatchewan's energy needs with a sustainable environment. To align SaskPower with best practices, the Corporation is upgrading its environmental management system to meet the International Standards Organization (ISO) 14001 standard.

A significant challenge for SaskPower is managing the effects of the Kyoto Protocol. If ratified, the Kyoto Protocol commits developed countries to make legally binding reductions in their CO_2 emission levels. In order to minimize the potential impact of the Kyoto Protocol, SaskPower is taking voluntary actions to limit or reduce CO_2 emissions. This includes improving the efficiencies of the Corporation's generating facilities to decrease CO_2 gases produced per unit of thermal energy. SaskPower is also working to acquire high-quality, low-cost carbon offsets. Offsets are initiatives that store or sequester carbon in locations outside of SaskPower's facilities. It is anticipated that the final terms of the Kyoto Protocol will allow an organization to net carbon offsets against the amount of CO_2 that it emits.

Risk Management

SaskPower faces a number of different types of business risks, including market, property, environmental and competitive risks. SaskPower proactively works to manage these risks utilizing a variety of methods. SaskPower's management of environmental and competitive risks was addressed previously.

Market risks that SaskPower is exposed to include movements in foreign exchange rates, interest rates and the price of natural gas. To minimize these exposures, the Corporation utilizes a number of financial instruments. Financial instruments are only used for risk management purposes and are not used for trading or speculative purposes. SaskPower has established internal policies, as well as monitoring and compliance reporting systems, to ensure that financial instruments are used appropriately.

The Corporation is also subject to risks such as sudden and accidental loss of assets, interruption of business and liability suits. SaskPower utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss prevention involves engineering, administrative and operating staff working to identify risks and develop loss prevention solutions. The other method SaskPower uses to minimize these types of risks is through the purchase of insurance.

The risks mentioned above have been managed independently to date. However, SaskPower is moving toward a portfolio approach that provides significant benefits through an enterprise-wide risk management framework. This framework provides consistent risk management application across various business processes, thereby better protecting and enhancing shareholder value.

Improving Business Processes

As part of the effort to better meet the needs of its customers and to improve efficiencies, SaskPower undertook a corporate-wide initiative called the Delta Project. The project was initiated to help prepare the Corporation for the possibility of competition by reviewing, redesigning and implementing effective operational processes and reporting methods. As part of the project, SaskPower replaced aging information systems with an SAP software system.

The project is expected to provide significant cost savings, cost avoidance and performance enhancements over the next five years. Cost savings include direct costs that are removed from the existing cost structure such as duplicate computer systems and processes. Cost avoidance includes costs that would be incurred if the project had not been implemented. Performance enhancements are operational improvements driven by the project. Improved generation availability, performance efficiencies due to better work scheduling and enhanced return on projects due to improved decision-making are examples of enhancement benefits. The new system was successfully launched in August 1999. SaskPower is currently in the process of measuring the benefits of the process redesign.

By facing challenges head-on and taking advantages of opportunities, SaskPower and its employees will continue to provide priority service to its customers – safe, reliable, cost-effective electricity.

1999 SaskPower Executive Team

(at December 31, 1999)

John Wright
President and Chief Executive Officer

Myron Gulka-Tiechko
Legal Counsel

David Hughes
President, SaskPower International

Bill Hyde
Vice-President, Human Resources

W. Davern Jones
Vice-President and Chief Financial Officer, Corporate and Financial Services

Rick Patrick
Vice-President and General Manager, Power Production

Eric Rankin
Vice-President and Chief Information Officer, Corporate Information and Technology

Kelly Staudt
Vice-President and General Manager, Customer Services

Roy Yeske
Vice-President and General Manager, Transmission and Distribution

Patricia Youzwa
Vice-President, Corporate Planning and Regulatory Affairs

Report of Management

Management is responsible for the integrity of the financial data reported by the Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgment, estimates and accounting principles generally accepted in Canada, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control, including corporate-wide policies and procedures, and an internal audit program which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit and Finance Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists of outside directors and at regular meetings reviews audit, internal control, and financial reporting matters with management, internal auditors and external auditors. The Audit and Finance Committee has reviewed the financial statements and submitted its report to the Board of Directors.

On behalf of Management,

John Wright

John Wright
President and Chief Executive Officer
February 9, 2000

W. Davern Jones

W. Davern Jones
Vice-President and Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 1999, and the consolidated statements of income and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Regina, Canada
February 9, 2000

Chartered Accountants

Consolidated Statement of Income and Reinvested Earnings

(in millions)

For the year ended December 31	**1999**	1998
Revenue		
Electric Sales	**$957**	$940
Other	**20**	18
Total Revenue	**977**	958
Expenses		
Operating, maintenance and administration	**283**	238
Fuel and purchased power	**229**	211
Depreciation and amortization (Note 2)	**135**	131
Royalties, water rentals and other taxes (Note 3)	**46**	47
Future asset removal and site restoration	**15**	22
Total Expenses	**708**	649
Net Income Before Finance Charges	**269**	309
Finance Charges (Note 4)	**155**	169
Net Income	**114**	140
Reinvested Earnings, beginning of year	**480**	417
Dividend Declared	**(63)**	(77)
Reinvested Earnings, end of year	**$531**	$480

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

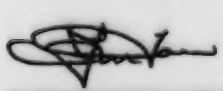
As at December 31	**1999**	1998
Assets		
Current Assets		
Cash and cash equivalents (Note 5)	**$ 45**	$ 24
Accounts receivable and unbilled revenue	**120**	121
Materials, fuel and supplies	**91**	93
	256	238
Property, Plant and Equipment		
Property, plant and equipment (Note 6)	**4,832**	4,673
Less: Accumulated depreciation (Note 6)	**1,828**	1,693
Contributions in aid of construction	**222**	222
	2,782	2,758
Construction in progress (Note 6)	**47**	36
	2,829	2,794
Other Assets and Deferred Charges (Note 7)	**118**	198
Total Assets	**$3,203**	$3,230
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 162**	$ 157
Debt due within one year (Note 8)	**55**	60
Dividend payable	**16**	20
	233	237
Long-term Debt (Note 8)	**1,488**	1,576
Other Liabilities And Deferred Revenues (Note 9)	**291**	277
Total Liabilities	**2,012**	2,090
Equity		
Equity advances (Note 10)	**680**	660
Reinvested earnings	**531**	480
Total Equity	**1,191**	1,140
Total Liabilities and Equity	**$3,203**	$3,230

Financial Risk Management (Note 11)

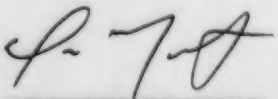
Commitments and Contingencies (Notes 13 and 14)

See accompanying notes

On behalf of the Board:



J. Milton Fair, CA, Chair



Donald Mintz, CA, Director

Consolidated Statement of Cash Flows

(in millions)

For the year ended December 31	**1999**	1998
Operating Activities		
Net Income	**$114**	$140
Charges (Credits) to Operations Not Involving Cash:		
Depreciation and amortization	**135**	131
Future asset removal and site restoration	**15**	22
Amortization of deferred foreign currency translation losses	**8**	11
Amortization of debt discount and issue costs	**1**	1
Sinking fund earnings	**(19)**	(27)
Other	**2**	7
Total Charges to Operations Not Involving Cash	**142**	145
	256	285
Net Change in Non-cash Working Capital	**9**	(2)
Cash Provided by Operating Activities	**265**	283
Investing Activities		
Purchase of property, plant and equipment	**(182)**	(136)
Increase in Cash Before Financing Activities	**83**	147
Financing Activities		
Dividend paid	**(67)**	(130)
Repayment of advances from General Revenue Fund	**(128)**	(108)
Sinking fund redemptions	**116**	53
Sinking fund installments	**(9)**	(30)
Contributions in aid of construction	**8**	12
Long-term receivables	**14**	-
Other	**4**	1
Cash Used in Financing Activities	**(62)**	(202)
Increase (Decrease) in Cash and Cash Equivalents	**21**	(55)
Cash and Cash Equivalents, beginning of year	**24**	79
Cash and Cash Equivalents, end of year	**$ 45**	$ 24

See accompanying notes

Notes to the Consolidated Financial Statements

as at December 31, 1999

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. The Corporation was established by *The Power Corporation Act*, passed on April 8, 1950.

These consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries, Power Greenhouses Inc. (Shand Greenhouse) and SaskPower International Inc. All significant intercompany transactions have been eliminated on consolidation.

By virtue of *The Crown Corporations Act*, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskPower is not subject to federal income tax, provincial income tax or federal large corporations tax.

1. Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Corporate accounting policies and practices are subject to examination and approval by the SaskPower Board of Directors and the Board of CIC, both of which are empowered by statute.

The following accounting policies are considered significant:

(a) Cash Equivalents

Cash equivalents are short-term investments that have a maturity of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

(b) Materials, Fuel and Supplies

Maintenance materials, supplies and plant repair parts are recorded at average cost.

In the years up to and including 1998, coal, gas and other fuels were recorded at cost on a first-in, first-out basis. In 1999, coal, gas and other fuels are recorded at average cost. The adoption of this accounting policy did not have a material effect on prior periods. Therefore, the change is being applied prospectively, as of January 1, 1999.

(c) Property, Plant and Equipment

Property, plant and equipment includes generation, transmission and distribution facilities and administration and service buildings, as well as construction and operating equipment. Costs are considered capital provided there is a reasonable certainty that these costs will be recovered through future income.

Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, reliability is improved above original design standards or operating costs are reduced by a substantial and quantifiable amount.

Property, plant and equipment is recorded at cost and includes material, allowance for funds used during construction, direct labour and overhead costs.

In the periods up to and including July, 1999, when a complete asset was retired, a gain or loss was recognized in the consolidated statement of income. On partial disposal, the cost less the proceeds of sale was charged to accumulated depreciation.

Beginning in August, 1999, the gain or loss on both the complete and partial disposal of assets is charged directly to the consolidated statement of income. The effect of this change on the current period and on the prior periods could not be reasonably determined. Therefore, this change has been applied prospectively, as of August 2, 1999, with no restatement of prior periods.

Maintenance, repair and demand side management costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Depletion on long-term coal properties, including mineral rights, lease fees and transmission lines, is calculated using the unit of production method based on estimated proven reserves. Shorter-term assets including surface rights and location acquisition costs, related to a particular mining property, are depreciated on a straight-line basis over the estimated service life of the related property. Depletion expense has been included in depreciation expense.

Composite estimated service lives for property, plant and equipment classes are:

Generation:	
Thermal	30 years
Hydro	50 years
Other	10 years
Transmission	45 years
Distribution	33 years
Other	18 years

(d) Environmental Costs

Environmental costs associated with modifications to property, plant and equipment, which have a future benefit, are capitalized and depreciated over the remaining useful life of the related asset. Costs associated with environmental expenditures which relate to an existing condition, caused by past activities, with no benefit to the future, are charged to income in the current period. Liabilities are recorded when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs can be reasonably estimated.

(e) Future Asset Removal and Site Restoration Costs

Estimated future asset removal and site restoration costs, net of expected recoveries, are charged to income on a straight-line basis over the estimated remaining service life of the assets involved. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the related cost of environmental mitigation, and is included in other liabilities and deferred revenues.

(f) Allowance for Funds Used During Construction - (AFUDC)

The Corporation capitalizes an allowance for funds used during construction at the cost of capital, including the cost of equity, related to major capital and development projects during the construction period. This amount is a non-cash item of income which is charged and recovered in rates to customers over the service life of the assets.

(g) Contributions in Aid of Construction

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are classified as a reduction to property, plant, and equipment and are amortized over the estimated service life of the related asset.

In 1996 and 1997, the Corporation was directed by its regulator to restrict the use of capital reconstruction charges received from customers to the replacement or upgrading of existing transmission and distribution facilities. These reconstruction charges are included in contributions in aid of construction. In 1998, the regulator removed the restriction on the use of the funds and thereafter these amounts were recorded as general revenue.

(h) Foreign Exchange and Interest Rate Contracts

From time to time the Corporation enters into financial instruments such as foreign exchange forward and option contracts, forward rate agreements, interest rate swaps and caps, cross-currency swaps, coupon swaps, natural gas commodity swaps and option contracts to manage market changes in foreign exchange rates, interest rates and natural gas prices. Cash flow differentials are recognized as income or expense over the lives of the contracts.

(i) Revenue Recognition

Revenue includes an estimate of electricity consumed by customers during the year and billed subsequent to year end.

(j) Foreign Currency Translation

Transactions denominated in a currency other than Canadian dollars are translated to Canadian dollars by applying exchange rates in effect at the transaction date. At year end, monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate at that date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period. Unrealized foreign currency translation gains and losses on long-term monetary items are deferred and amortized on a straight-line basis over the remaining life of the asset or liability.

(k) Amortization of Debt Discount and Issue Costs

Debt discount and issue costs are amortized on a straight-line basis over the term of the respective debt issue.

(l) Employees' Future Benefits

The Corporation provides pension plans for substantially all employees, including a defined contribution plan and a defined benefit plan. The defined benefit plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations* and *The Power Corporation Superannuation Act*. The defined contribution plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution plan, the Corporation's obligations are limited to matching the contributions made by employees for current services. These contributions are charged to income when made.

The defined benefit plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' salary and years of service. At the discretion of the Lieutenant Governor in Council, pensions may be increased annually up to the rate of

increase in the Consumer Price Index. The cost of pension benefits under this Plan is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment returns, wage and salary increases, age at retirement and future pension indexing up to the rate of inflation. Pension plan assets are valued using market values. Pension plan adjustments, including experience gains and losses, are amortized on a straight-line basis over the expected remaining period of service for employees covered by the Plan.

The Corporation provides a defined benefit severance plan for management employees and members of the International Brotherhood of Electrical Workers (IBEW). The cost of these benefits is determined by an actuary using management's best estimates of future wage and salary increases, and age at the time of severance. The estimated obligation is amortized on a straight-line basis over the expected remaining period of service of employees covered by the Plan.

The Corporation provides a separate defined benefit severance plan to employees who are members of the Communications, Energy and Paperworkers (CEP) Union. In the years up to and including 1998, the expenses of the CEP severance benefit were charged to revenue on a pay as you go basis. Beginning in 1999, the expense and liability are recorded in the period in which the employee earns entitlement for the benefit. The cost of severance benefits under this plan are determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The changes are being applied prospectively with the transitional obligation being accrued over the average remaining service life of the employees.

The Corporation does not provide any additional post employment benefits to its retirees and their dependents.

(m) Cash Flow Statement

The presentation of the cash flow statement has been amended to conform with the new Canadian Institute of Chartered Accountants Handbook recommendations.

2. Depreciation and Amortization (in millions)

	1999	1998
Depreciation expense	$143	$139
Amortization of contributions in aid of construction	(8)	(8)
	$135	$131

3. Royalties, Water Rentals and Other Taxes (in millions)

	1999	1998
Coal royalties – Saskatchewan Energy and Mines	$ 13	$ 14
Grants in lieu of taxes to municipalities	12	12
Capital tax – Saskatchewan – General Revenue Fund	12	12
Water rentals – Saskatchewan Water Corporation	9	9
	$ 46	$ 47

Grants in lieu of taxes are paid to twelve Saskatchewan cities.

Royalties, water rentals and other taxes do not include Saskatchewan education and health tax payments of $6 (1998 – $6), or municipal surcharges under Section 36 of *The Power Corporation Act*. The Corporation collected $29 (1998 – $29) in municipal surcharges and paid this amount to 430 Saskatchewan cities, towns and villages.

4. Finance Charges (in millions)

	1999	1998
Interest on long-term debt	$162	$178
Other interest	11	14
	173	192
Amortization of:		
Deferred foreign currency translation losses	9	11
Debt discount and issue costs	1	1
	9	12
	182	204
Less:		
Sinking fund earnings	19	27
Interest income	5	7
AFUDC	3	1
	27	35
	$155	$169

Cash interest paid in the year amounted to $176 (1998 – $187).

5. Cash and Cash Equivalents (in millions)

Included in cash and cash equivalents in 1999 are short-term investments in the amount of $49 bearing interest ranging from 4.54% to 5.00%. Included in cash and cash equivalents in 1998 are short-term investments in the amount of $29 bearing interest ranging from 5.15% to 5.18%.

6. Property, Plant and Equipment (in millions)

	Cost		Accumulated Depreciation		Construction in Progress	
	1999	1998	1999	1998	1999	1998
Generation Plant	$2,342	$2,287	$ 948	$ 880	$20	$20
Transmission	843	823	215	200	4	2
Distribution	1,517	1,462	504	461	2	–
Other	330	301	161	152	21	14
	4,832	4,673	$1,828	$1,693	$47	$36
Less:						
Accumulated Depreciation	1,828	1,693				
Net Book Value	$3,004	$2,980				

7. Other Assets and Deferred Charges (in millions)

	1999	1998
Deferred foreign currency translation losses	$104	$164
Long-term receivables	7	21
Other assets	7	13
	$118	$198

Long-Term Receivables

The Corporation has constructed transmission lines, switching stations and substations required to serve certain mining customers in remote locations. The Corporation entered into four long-term agreements whereby these customers will fund a portion of the cost of these facilities but do not hold any ownership interest. The receivables are repaid through electrical rates with funds applied to production, operating, maintenance, administration and interest costs prior to reduction of the principal amount. Two of these receivables were collected in full during 1999. The remaining receivables under these agreements total $7 (1998 – $21). The payment terms extend to the year 2000 and include an interest component equal to prime.

8. Long-term Debt (in millions)

Years to Maturity	1999 Principal Outstanding U.S. Dollars	1999 Principal Outstanding Canadian Dollars	1999 Average Interest Rate (%)	1998 Principal Outstanding U.S. Dollars	1998 Principal Outstanding Canadian Dollars	1998 Average Interest Rate (%)
Advances from General Revenue Fund (GRF)						
Canadian Dollar Issues						
1-5 years		$ 188	12.51		$ 246	11.67
6-10 years		261	10.41		316	10.96
11-15 years		-	-		3	9.22
21-25 years		240	9.60		250	9.60
26-30 years		100	8.75		100	8.75
		787	10.45		915	10.53
U.S. Dollar Issues						
1-5 years	$ 50	72	6.63	$ 50	77	6.63
6-10 years	194	280	7.13	194	297	7.13
11-15 years	75	108	7.38	75	115	7.38
16-20 years	-	-	-	-	-	-
21-25 years	300	433	8.79	300	460	8.79
	$619	893	7.92	$619	949	7.92
		1,680			1,864	
Less sinking fund balances:						
Canadian Dollar Issues		101			197	
U.S. Dollar Issues	$ 25	36		$ 21	31	
		137			228	
		1,543			1,636	
Less due within one year		55			60	
Total		$1,488			$1,576	

Sinking Funds

Under conditions attached to certain advances from the General Revenue Fund, the Corporation is required to pay annually into sinking funds administered by the Department of Finance, amounts at least equal to 1% of the debt outstanding. Minimum sinking fund installments and debt retirement requirements for the next five years are as follows (in millions):

2000	$ 63
2001	9
2002	12
2003	158
2004	69

9. Other Liabilities and Deferred Revenues (in millions)

	1999	1998
Future asset removal and site restoration costs	$215	$201
Long-term agreements payable	56	54
Other liabilities and deferred revenues	20	22
	$291	$277

Future Asset Removal and Site Restoration Costs

Future asset removal and site restoration costs are estimated liabilities for decommissioning facilities and mitigating environmental issues. Due to the long-term nature of the assumptions made in deriving these estimates, including the nature of the environmental contamination and the timing and extent of corrective actions, there could be a material adjustment to income in the near term.

Long-Term Agreements Payable (in millions)

Included in long-term agreements payable is a long-term service contract, signed in 1986, wherein the Corporation purchased certain assets from a customer at a cost of $39 plus interest at 11% per year. The customer is required to purchase a minimum amount of electricity with consumption in excess of this amount applied to outstanding interest and principal at a rate of 85% of the revenue received. The remaining liability is $37 (1998 – $37) and the Corporation expects terms of the agreement will be completed by 2003.

10. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

11. Financial Risk Management (in millions)

By virtue of its business operations, the Corporation is exposed to movements in the U.S./Canadian dollar exchange rate, interest rates and the price of natural gas. The Corporation utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these financial instruments through Board approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management.

Foreign Exchange

The Corporation has an exposure to the U.S./Canadian dollar exchange rate primarily through the long term U.S. denominated debentures that are held by the Corporation. In order to minimize this exposure, the Corporation has entered into a number of contracts to mitigate the risk.

Natural Gas Prices

In February, 1998, the Corporation signed a long-term power purchase agreement (PPA) to procure power from the Meridian cogeneration facility. Natural gas is the main fuel source used to power the cogeneration facility. As part of that agreement, the Corporation agreed to accept the risk of fluctuations in the price of natural gas. As at December 31, 1999, the Corporation had entered into a series of natural gas price financial hedges to effectively manage the price for 100% of the natural gas related to the PPA over the 1999 – 2000 winter season.

Fair Value of Financial Instruments

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay or receive to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates. The following summarizes the fair value of the Corporation's financial instruments at December 31:

As at December 31, 1999	**Notional Principal**		**Fair Value Asset (Liability)**		**Repricing or Maturity Date**
	U.S. Dollars	**Canadian Dollars**	**U.S. Dollars**	**Canadian Dollars**	
Coupon Swaps	**$158**	**$225**	**$ 0.6**	**$ 0.8**	**2002-2003**
Cross Currency Swaps	**112**	**155**	**1.0**	**1.5**	**2003-2008(a)**
Foreign Exchange Contracts	**9**	**13**	**(0.1)**	**(0.1)**	**2000**
Natural Gas Contracts	**-**	**-**	**-**	**(1.3)**	**2000(b)**
Total	**$279**	**$393**	**$ 1.5**	**$ 0.9**	

As at December 31, 1998	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	U.S. Dollars	Canadian Dollars	U.S. Dollars	Canadian Dollars	
Coupon Swaps	$158	$225	$ 5.0	$ 7.7	2002-2003
Cross Currency Swaps	42	57	3.2	4.9	2003
Foreign Exchange Contracts	6	10	(0.1)	(0.1)	1999
Total	$206	$292	$ 8.1	$ 12.5	

a) The counterparty has the right, but not the obligation, to increase the notional value of a March 15, 2008, cross currency swap by U.S. $7 on September 15, 2000, at an exchange rate of 0.7215 CDN$/U.S.$.

b) In total, 2,575,000 GJs of natural gas are hedged in 2000 for the months of January, February, and March.

	1999 Asset (Liability)		1998 Asset (Liability)	
As at December 31	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt	**$(1,680)**	**$(1,908)**	$(1,864)	$(2,376)
Sinking funds	**137**	**148**	228	260
Long-term receivables	**7**	**6**	21	20
Long-term agreements payable	**(56)**	**(34)**	(54)	(33)

Fair values are determined as follows:

1. Coupon swaps, cross currency swaps, foreign exchange contracts, natural gas contracts and sinking funds
   - Closing year-end market rates.
2. Long-term debt
   - Year-end market prices for similar Province of Saskatchewan instruments.
3. Long-term receivables and long-term agreements payable
   - The present value of future cash flows discounted at SaskPower's cost of capital.
4. Other financial instruments
   - The carrying values of all other financial instruments including cash and cash equivalents, leases, accounts receivable and unbilled revenue, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short period to maturity.

The fair value estimates above do not reflect the fair value of the Corporation as a whole. A fair value for the Corporation's significant investment in property, plant and equipment has not been determined since these assets do not meet the definition of a financial instrument.

12. Credit Risk

Credit risk is the risk that one party to a financial transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower is exposed to credit risk on its foreign exchange, natural gas and energy transactions. The Corporation has a risk management plan in place to minimize this risk.

SaskPower is not exposed to other significant concentrations of credit risk. The majority of accounts receivable are owing from 365,000 farm and residential electrical customers and 62,000 commercial and industrial customers in diversified industries. Credit terms are in place to mitigate significant losses.

13. Commitments and Contingencies (in millions)

(a) At December 31, 1999, the Corporation was committed in the amount of approximately $243 (1998 – $231) for construction materials, equipment, financial instruments and contracts and services not completed at that time. In 1998, the Corporation signed a power purchase agreement expected to cost $2,000 over the 25-year term and provide approximately 210 megawatts of electrical power annually beginning in late 1999. At 1999 prices, the Corporation also had forward commitments of $2,152 (1998 – $1,696) extending up to 25 years for coal contracted for future minimum deliveries.

(b) The Corporation is contingently liable as endorser of certain promissory notes due in 2003 and 2004, arising from the sale of a dragline. In addition, the Corporation is contingently liable for payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2004. The total amount of the contingencies is $54.

14. The Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Corporation, including those related to customers, suppliers, or other third parties, have been fully resolved.

15. Related Party Transactions (in millions)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	1999	1998
Accounts receivable and unbilled revenue	$ 4	$ 2
Accounts payable and accrued liabilities	8	8
Interest payable – General Revenue Fund	43	48
Revenue	48	54
Operating, maintenance and administration expenses	31	30

Other amounts due to (from) related parties and the terms of settlement are described separately in these consolidated financial statements and notes thereto.

16. Employees' Future Benefits (in millions)

The net expense for the defined contribution and the defined benefit plan is as follows:

	Pension Benefit Plans		Other Benefit Plans	
	1999	1998	**1999**	1998
Defined contribution plan	**$ 13**	$ 19	**$ -**	$ -
Defined benefit plan	**$ -**	$ -	**$ 2**	$ 2

An annual actuarial valuation of the defined benefit plan showed that the Plan had a surplus in respect of past service, as follows:

	Pension Benefit Plans		Other Benefit Plans	
	1999	1998	**1999**	1998
Assets of the plan	**$707**	$666	**$ -**	$ -
Present value of accrued benefits	**633**	610	**23**	17
Fund surplus (deficit)	**$ 74**	$ 56	**$ (23)**	$ (17)
Accrued benefit asset (liability)	**$ (9)**	$ (12)	**$ (4)**	$ 2

The actuarial assumptions adopted in measuring the company's obligations under the defined benefit plan are as follows:

	Pension Benefit Plans		Other Benefit Plans	
	1999	1998	**1999**	1998
Discount rate	**6.75%**	6.75%	**6.75%**	7.00%
Expected rate of return on plan assets	**6.75%**	6.75%	**-**	-
Rate of compensation increases	**2.50%**	2.00%	**2.50%**	2.50%

Due to the nature of the actuarial assumptions made, it is reasonably possible that changes in future conditions may require a material change in the present value of the accrued benefits.

A summary of contributions and benefits paid from the defined benefit plan are as follows:

	Pension Benefit Plans		Other Benefit Plans	
	1999	1998	**1999**	1998
Employer contributions	**$ 1**	$ 1	**$ -**	$ -
Employee contributions	**2**	2	**-**	-
Benefits paid	**$ 38**	$ 38	**$ 1**	$ 1

17. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-Year Financial Summary

(in millions)

	1999	1998	1997	1996	1995
Net Income:					
Revenue	**$ 977**	$ 958	$ 917	$ 886	$ 852
Costs and Expenses					
Operating, maintenance and administration	**283**	238	215	197	237
Fuel and purchased power	**229**	211	173	146	137
Depreciation and amortization	**135**	131	131	128	123
Royalties, water rental and other taxes	**46**	47	49	49	49
Future asset removal and site restoration	**15**	22	41	32	31
	708	649	609	552	577
Operating Income before Finance Charges	**269**	309	308	334	275
Finance Charges	**155**	169	176	192	197
Income (Loss) from Discontinued Operations	**-**	-	-	(3)	2
Net Income	**$ 114**	$ 140	$ 132	$ 139	$ 80
Property, Plant and Equipment:					
Property, plant and equipment	**$4,832**	$4,673	$4,557	$4,439	$4,358
Construction in progress	**47**	36	35	36	16
Property, plant and equipment, gross	**4,879**	4,709	4,592	4,475	4,374
Accumulated depreciation	**(1,828)**	(1,693)	(1,573)	(1,475)	(1,333)
Contributions in aid of construction	**(222)**	(222)	(215)	(195)	(186)
Property, plant and equipment, net	**$2,829**	$2,794	$2,804	$2,822	$2,855
Growth over prior year (%)	**1.25**	(0.36)	(0.64)	(1.16)	0.63
Capital expenditures ($)	**185**	137	160	117	157
Debt at Dec. 31:					
Gross Debt	**$1,680**	$1,864	$1,909	$2,061	$2,181
Net Debt	**$1,543**	$1,636	$1,687	$1,832	$1,952
Sources and (Uses) of Cash:					
Cash provided by operating activities	**$ 285**	$ 283	$ 270	$ 293	$ 228
Investing activities, net of interest capitalized	**(182)**	(136)	(141)	(116)	(155)
Cash provided by operating and investing activities	**83**	147	129	177	73
Cash used in financing activities	**(62)**	(202)	(128)	(112)	54
Increase (Decrease) in cash position	**$ 21**	$ (55)	$ 1	$ 65	$ 127

Corporate governance

Corporate governance encompasses the responsibilities of the SaskPower Board of Directors and the way in which the Board discharges its responsibility for control within the organization. The Board of Directors at SaskPower has put in place a comprehensive set of governance practices and procedures to ensure that its governance responsibilities are met.

Role of the Board

The SaskPower Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the principal duty of the Board is to provide leadership in setting SaskPower's long-range strategic direction and to approve the Corporation's overall strategic plan, operating goals, operating budget, performance indicators and the business plans established to achieve them. The Board is also responsible for overseeing the identification and management of the principal risks of the business, monitoring the performance of senior management, adopting procedures that provide effective communication, ensuring the integrity of internal controls and developing practices to ensure that the Board functions independently of management. In addition, the Board members must ensure that they comply with the provisions of *The Crown Corporations Act*, 1993, and the *Power Corporation Act*.

A terms of reference document has been developed for the Board and for each of its committees. The terms of reference clearly define the mandate of each group as well as its specific roles and responsibilities.

Board Composition

SaskPower's Board of Directors is comprised of representatives from across Saskatchewan and Canada. All members of the Board are independent from SaskPower management with the exception of the President and CEO. The Board members bring to the Corporation a diverse set of experience and attributes, including industry experience, strategic leadership and entrepreneurial and communication skills.

The Crown Investments Corporation of Saskatchewan (CIC) provides the Board members with a comprehensive ongoing education and training program. The program began in 1998 and continued in 1999. Various outside experts delivered training on such topics as strategic planning, risk management and corporate governance. Continued training is planned for 2000.

Board members are appointed by the Lieutenant Governor in Council, pursuant to *The Power Corporation Act*. Through the Chair, the Board of Directors is responsible to the Minister Responsible for CIC.

The Board and Management

Although the Board of Directors is responsible for overseeing the management of the Corporation, it is the management of SaskPower who are responsible for the day-to-day operations. Management is expected to act within the approved Board policies and directives and is accountable to the Board for the Corporation's performance.

Committees

In order to meet its stewardship obligations, the Board at SaskPower has established the following committees that it considers necessary for the efficient conduct of the affairs and business of the Corporation:

Audit and Finance Committee

Human Resources/Compensation Committee

Environment, Occupational Health and Safety Committee

Governance Committee

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring and reviewing the financial performance and internal controls of the Corporation. The Committee is also responsible for reviewing the adequacy of the risk management policies and procedures, enhancing the credibility and objectivity of the Corporation's financial reports, and acting as a communication link between the Board of Directors and the external and provincial auditors. SaskPower's internal audit department reports directly to the Audit and Finance Committee.

Human Resources/Compensation Committee

The mandate of the Human Resources/Compensation Committee is to evaluate the Corporation's human resource and compensation policies. This responsibility includes reviewing compensation levels, assessing the Corporation's benefit programs and reviewing the organizational structure. The Committee also undertakes an annual performance review of the President and CEO.

Environment, Occupational Health and Safety Committee

The Environment, Occupational Health and Safety Committee is responsible for monitoring the Corporation's management of its environmental, health and safety risks, liabilities, policies, practices and procedures.

Governance Committee

The Governance Committee is responsible for reviewing the Board's corporate governance processes. The Committee makes recommendations on Board size and composition and evaluates the performance of the Board and its committees.

SaskPower Board of Directors: *(Left to right)* John Wright; Wallace Read; Colleen Bailey; Mel Watson; J. Milton Fair, Chair; Donald Mintz; Dawn Stanger, Secretary to the Board; Vernon Bellegarde; Larry Braun

SaskPower Board of Directors

(at December 31, 1999)

J. Milton Fair
Chair of the Board, Consultant
Edmonton, Alberta

John Wright
President and Chief Executive Officer
Regina, Saskatchewan

Wallace Read
Consultant
St. John's, Newfoundland

Colleen Bailey
Vice-President & CEO
North Eastern Cablevision Ltd.
Yorkton, Saskatchewan

Mel Watson
Owner
Watson Tractor
Regina, Saskatchewan

Donald Mintz
Chartered Accountant
Mintz & Wallace
Regina, Saskatchewan

Dawn Stanger
Secretary to the Board and Committees
Crown Investments Corporation of Saskatchewan

Vernon Bellegarde
General Manager
Digital Print Centre
Balcarres, Saskatchewan

Larry Braun
President
CEP, Local 649
Saskatoon, Saskatchewan

Committees of the Board of Directors

Audit & Finance Committee
Donald Mintz, Chair
Colleen Bailey
Mel Watson
Larry Braun

Human Resources/Compensation Committee
Colleen Bailey, Chair
Donald Mintz
Vernon Bellegarde
J. Milton Fair

Governance Committee
J. Milton Fair, Chair
John Wright
Mel Watson

Environment, Occupational Health & Safety Committee
Vernon Bellegarde, Chair
Wallace Read
Larry Braun

Glossary

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Circuit
A power line or cable through which electric energy flows.

Circuit Kilometres
The sum of the number of circuits times the length of the power line.

CO_2
Carbon dioxide, one of the greenhouse gases believed to be a cause of global warming. Carbon dioxide is produced in coal-fired electricity generation.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Diversity
For SaskPower, a diverse workforce would reflect the characteristics of our customer base. The corporation is pursuing several employment equity initiatives to develop a more diverse workforce.

Gigawatt Hour (GW.h)
A unit of bulk energy; 1,000,000 kilowatt hours.

Kilovolt (kV)
A unit of pressure, or push, of an electric current; 1,000 volts.

Kilowatt (kW)
A unit of bulk power; 1,000 watts.

Kilowatt Hour (kW.h)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Lignite Coal
Lignite coal is characterized by its high moisture content, low heating value and abrasiveness. It is the primary fuel source for about 65 per cent of SaskPower's generation.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MW.h)
A unit of bulk energy; 1,000 kilowatt hours.

Non-Utility Generation (NUG)
Electrical generating plants owned and operated by parties other than SaskPower. The power may be produced by cogeneration or by facilities dedicated to producing power.

Peak Demand
The maximum power demand recorded by a customer, group of customers or the entire system at a precise time.

Pole Kilometres
The linear distance along a power line.

Rate Rebalancing
A process bringing the electrical rates charged to different customer categories closer to the cost of service. For SaskPower, rebalancing requires negotiating rates for large-volume customers, while reducing the subsidy for farm and residential customers.

SAP
Stands for Systems, Applications and Products in Data Processing. A software solution that supports integrated business processes.

Seasonal Gross Peak
The maximum power demand supplied from all sources of energy on the system, as measured over a winter season – October 1 to March 1.

Sustainable Development
Development that ensures that the use of resources and the environment today does not damage prospects for their use by future generations (National Task Force on Environment and Economy, 1987).

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

SaskPower's commitment to sound environmental planning extends beyond balancing the province's energy needs with a sustainable environment. This Annual Report is printed on paper containing at least 10% post-consumer recycled fiber and is recyclable.